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BC GAMING COMMISSION

Report on the Status of Gaming in British Columbia

January 1, 1988

Province of British Columbia

88-03230/

REPORT TO THE ATTORNEY GENERAL BY THE GAMING COMMISSION ON THE STATUS OF GAMING IN BRITISH COLUMBIA

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January 1, 1988

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FOREWORD

With this report on the status of gaming in British Columbia the Commission has completed the request of April 1, 1987 by the Attorney General. During this period the Commission has had an opportunity to consult with various individuals and organizations throughout the Province as well as in other jurisdictions. This initial report will serve as the foundation for future Commission activities and policy decisions. The report would never have been possible within the allotted time, even with the one month extension, were it not for the assistance provided by so many committed and knowledgeable individuals. It is my pleasure to take this opportunity personally to thank them for all they have done, and I know I speak for every member of the Commission.

Richard M. Macintosh
Chairman

TABLE OF CONTENTS

Chapter	Title	Page
	PART ONE	
	EXECUTIVE SUMMARY	
	PART TWO	
I.	ROLE AND RESPONSIBILITIES OF THE B.C. GAMING COMMISSION AND THE PUBLIC GAMING BRANCH	I–1
	1. B.C. Gaming Commission	I–1
	(i) Membership	
	(ii) Responsibilities	
	(iii) Community Consultation	
	2. Public Gaming Branch	I–2
	(i) Goals	
	(ii) Structure	
	3. Organizational Structure	I–2
	(i) Charity Licensing	
	(ii) Reporting Structure	
	(iii) Future Legislation	
	(iv) Commission and Branch Generated Revenue	
	4. Conclusion	I–4
II.	PHILOSOPHY AND SOCIAL CONSIDERATIONS OF GAMING	II–1
	1. Introduction	II–1
	2. Moral and Ethical Considerations	II–1
	3. Gambling and the Work Ethic	II–1
	4. Government as Gaming Entrepreneur	II–2
	5. Overestimation of New Tax Revenue	II–2
	6. Law Enforcement Costs	II–2
	7. Creation of New Gamblers	II–2
	8. Compulsive Gambling	II–2
	9. Conclusion	II–3
III.	HISTORY OF GAMING IN B.C.	III–1
	1. Introduction	III–1
	2. Federal Legislation	III–1
	3. British Columbia — 1970 to 1979	III–1
	4. British Columbia — 1979 to Present	III–2
	(i) Public Gaming Branch	
	(ii) B.C. Gaming Commission	
	5. Bingo	III–3
	6. Casino	III–3
	(i) 1970 — 1985	
	(ii) 1985 — June 1986	
	(iii) June 1986 — April 1987	
	(iv) April 1987 to Present	
	7. Ticket Lotteries	III–5
	8. Social Clubs	III–5
	9. Conclusion	III–5

Chapter	Title	Page
IV.	GAMING EXPERIENCES IN OTHER JURISDICTIONS	IV–1
	1. Introduction	IV–1
	2. Background-Canadian Jurisdictions	IV–1
	3. B.C. Neighbouring Jurisdictions	IV–3
	(i) Alberta	
	— Types of Gaming Activities	
	— Bingo	
	— Casino	
	— Raffles	
	— Pull-Tickets	
	(ii) Manitoba	
	— Types of Gaming Activities	
	— Bingo	
	— Casino	
	— Breakopens	
	(iii) Yukon Territory	
	— Types of Gaming Activity	
	— Diamond Tooth Gerties	
	— Bingo	
	— Casino	
	— Raffles	
	4. Other Jurisdictions	IV–7
	(i) Washington State	
	— Types of Gaming Activity	
	— Casinos	
	— Bingo	
	— Pull-tabs and Punchboards	
	(ii) Other U.S. Jurisdictions	
	(iii) Australia	
	(iv) Great Britain	
	(v) Belgium	
	(vi) Germany and Austria	
	(vii) Holland	
	(viii) France	
	(ix) Monaco	
	5. Conclusion	IV–10
V.	CASINO GAMING	V–1
	1. Introduction	V–1
	2. Casino Gaming and Slot Machines	V–1
	3. Evolution of Casino Gaming in B.C.	V–2
	4. The Future of Casino Gaming in B.C.	V–3
	(i) Alternative Models	
	(ii) Government Relations	
	(iii) Charity Access and the "Freeze"	
	(iv) Hours of Operation and Betting Levels	
	(v) Liquor	
	(vi) Gratuities	
	(vii) Advertising	
	(viii) Charity Involvement	
	(ix) Extension of Credit	
	(x) Gaming Industry Integrity	

Chapter	Title	Page
	5. Conclusion	V–7
	— Province-Wide Application	
	— Greater Vancouver Region — Only	
	— The Model	
	— Phase 1	
	— Phase 2	
	— Explanation for Stabilization of the Industry	
VI.	DESTINATION RESORT GAMING	VI–1
	1. Introduction	VI–1
	2. Background	VI–1
	3. Facts and Findings	VI–1
	(i) Government Involvement	
	(ii) Canadian Experiences	
	(iii) Australian Experience	
	(iiv) Destination Resort Gaming Sites	
	4. Conclusion	VI–4
VII.	BINGO	VII–1
	1. Introduction	VII–1
	2. Bingo in British Columbia	VII–1
	3. Charitable Community Associations	VII–2
	4. Automated Bingo and "Breakopen" Tickets	VII–2
	5. Electronically Connected Bingo Premises	VII–4
	6. Gaming on Indian Reservations	VII–5
	7. Charity Advisors	VII–5
	8. Advertising	VII–5
	9. Charitable Funds Raised	VII–6
	10. Public Input	VII–7
	11. Conclusion	VII–8
VIII.	TICKET LOTTERIES	VIII–1
	1. Introduction	VIII–1
	2. Terms and Conditions	VIII–1
	3. Types of Ticket Lotteries	VIII–1
	4. Conclusion	VIII–2
IX.	FAIRS AND EXHIBITIONS	IX–1
	1. Introduction	IX–1
	2. Regulation — Why and How?	IX–1
	3. Bingo	IX–2
	4. Operational Compliance Unit	IX–2
	6. Conclusion	IX–2
X.	SOCIAL CLUBS	X–1
	1. Introduction	X–1
	2. Conclusion	X–2

Chapter	Title	Page
XI.	LICENSING, REGISTERING AND BONDING	XI–1
	1. Introduction	XI–1
	2. Licensing	XI–1
	(i) Conditions of Licence	
	(ii) Appeal Process	
	(iii) Areas of Concern	
	3. Charity Gaming	XI–2
	(i) Bingo	
	(ii) Casinos	
	(iii) Social Occasion Casino	
	(iv) Ticket Raffles	
	4. Charity Personnel	XI–3
	(i) Charity Workers	
	5. Casino Management Companies and Personnel	XI–4
	6. Bingo Hall Operators and Personnel	XI–4
	7. Bonding	XI–4
	(i) Application to Gaming	
	(ii) Who Should be Bondable?	
	8. Licensing Fees	XI–5
	9. Conclusion	XI–5
XII.	FINANCIAL CONTROL AND ACCOUNTABILITY	XII–1
	1. Introduction	XII–1
	2. Basic Principles of Financial Control	XII–1
	(i) Audit Trail	
	(ii) Supervision of Cash Flow	
	(iii) Separation of Responsibilities	
	3. Consequences of Inadequate Financial Control	XII–2
	(i) Theft — Skimming	
	(ii) Player Confidence	
	(iii) Loss of Tax Revenue	
	4. General Control Measures	XII–2
	(i) Use of Credit	
	(ii) Audit Control Procedures	
	(iii) Surveillance and Security	
	(iv) Split of Revenue	
	(v) Charity Accountability	
	5. Specific Control Measures	XII–4
	(i) Bingo	
	(ii) Casino	
	(iii) Social Clubs	
	(iv) Ticket Lotteries	
	(v) Fairs and Exhibitions	
	6. Conclusion	XII–5
XIII.	TRAINING	XIII–1
	1. Introduction	XIII–1
	2. Charity Advisors	XIII–1
	3. Games Dealers	XIII–1
	4. Management Company Managers	XIII–2
	5. Charitable Organizations and Event Volunteers	XIII–2
	6. Security Guards	XIII–2

Chapter	Title	Page
	7. Government Regulators	XIII–2
	8. Police	XIII–3
	9. Conclusion	XIII–3
XIV.	EQUITABLE ACCESS TO CHARITY GAMING	XIV–1
	1. Introduction	XIV–1
	2. Current Status of Access	XIV–1
	3. Licensing Eligibility	XIV–1
	4. Equalization of Access	XIV–2
	5. Multiplicity of Licences	XIV–2
	6. Conclusion	XIV–3
XV.	ADVERTISING AND PROMOTION	XV–1
	1. Introduction	XV–1
	2. Standardization of Advertising	XV–1
	3. Enticements	XV–1
	4. Charity Representation	XV–2
	5. Operating Companies and Advertising	XV–2
	6. Conclusion	XV–2
XVI.	B.C. STEAMSHIP SLOT MACHINES	XVI–1
	1. Introduction	XVI–1
	2. Authority	XVI–1
	3. Organization	XVI–1
	4. Initial Public Opinion	XVI–1
	5. Operations	XVI–1
	6. Slot Machines	XVI–2
	7. Jobs Created	XVI–2
	8. Princess Marguerite	XVI–3
	9. Vancouver Island Princess	XVI–3
	10. Public Response	XVI–3
	11. "Special Event" Cruises	XVI–3
	12. Security	XVI–4
	13. Conclusion	XVI–4
	14. Recommendations	XVI–4
XVII.	THE POLICE POSITION ON GAMING IN B.C.	XVII–1
	1. Introduction	XVII–1
	2. Conclusion	XVII–1

PART III

XVIII.	APPENDICES	XVIII–1
XIX.	BIBLIOGRAPHY	XIX–1
XX.	ACKNOWLEDGEMENTS	XX–1

EXECUTIVE SUMMARY

This report was prepared in response to a request by the Attorney General of British Columbia to provide a comprehensive overview of gaming in the Province. This request was included in a news release dated April 1, 1987. This news release is included as Appendix "A" of this report. The report was originally to be completed by November 30, 1987 but due to the complexity and enormity of the report a one month extension was granted.

A variety of topics have been considered in this report as outlined in the preceding "Table of Contents". To obtain a comprehensive overview of the current state of gaming in British Columbia and of some of the changes the Commission is implementing and considering, the report needs to be read in its entirety including the appendices. Acknowledging that this is not possible for everyone a brief summary of the chapters in the report is included.

In the nine months that the Commission has been in operation a great deal has been accomplished. Some of these accomplishments have been achieved by the mere fact of the establishment of a Commission to oversee the gaming activities in the Province. Many of the policies addressed in this report will have already been implemented by the time it is released. There is still a great deal to be done and the Commission willingly accepts that undertaking.

Chapter I — ROLE AND RESPONSIBILITIES OF THE B.C. GAMING COMMISSION AND THE PUBLIC GAMING BRANCH

The role and responsibilities of the B.C. Gaming Commission and the Public Gaming Branch are outlined with a number of recommendations which include the following:

- — the licensing authority with respect to charities should be removed from the Commission and returned to the Branch;
- — a new organizational structure and reporting relationship should be considered for the Commission and the Branch;
- — a new provincial statute covering all aspects of gaming should be considered for the future;
- — the Lotteries Advisory Committee contemplated under section 3 of the *Lottery Act* should be implemented;
- — money collected by the Commission or the Branch through licences, fees or fines should accrue to the Ministry of Attorney General.

Chapter II — PHILOSOPHY AND SOCIAL CONSIDERATIONS OF GAMING

A number of philosophical issues are raised which have been taken into consideration by the Commission members throughout the completion of this report. Recognition is given to some of the negative aspects of gaming which are inherent to society.

Chapter III — HISTORY OF GAMING IN British Columbia

A historical review of the evolution of gaming in British Columbia over the past two decades is provided. Introduction of section 190 of the *Criminal Code* of Canada in 1969 began the process of bringing charitable gaming to the Province. The role of the charities and participants in the gaming industry is highlighted up to the present time.

Chapter IV — GAMING EXPERIENCES IN OTHER JURISDICTIONS

Gaming in other jurisdictions is explored with the most information being provided on the charitable casino models in Alberta and Manitoba. In British Columbia the Commission has taken components of both of these models and as well has learned a great deal from visits to Nevada and Washington State. Other types of gaming have been reviewed but the focus is on casinos since there are so many different models and configurations world wide.

Chapter V — CASINO GAMING

Casino gaming in British Columbia including a phased in model to deal with some of the problems which have been identified is discussed in great depth. All casino management companies operating in the province will have to be licensed by the Commission. The important features of the phased in model are as follows:

- — no immediate growth in casino locations;
- — no increase in betting limits or hours of operation at this time;
- — equal access by ALL qualified charities to SOME casino gaming fund raising opportunities;
- — new eligibility requirements for charity applicants which will include necessity to provide a proposed budget;
- — new, improved audit procedures by the Branch to ensure that funds raised by casino gaming were spent as proposed in the budget;
- — revocation or suspension of licences as a penalty for impropriety;
- — stabilization of the casino industry allowing appropriate corporate planning, consistent employment and fair wages to casino management company personnel;
- — elimination of the Greater Vancouver Region (GVR) charity gaming licence draw;
- — allotment of casino gaming opportunities in GVR from an initially randomly generated list of licenced charities;
- — increased charity access to casino gaming revenue;
- — charity casino gaming ONLY i.e., no private sector casino experimentation in any major urban area, for some time during which we can:
  - (a) assess the effects of our recommended changes and;
  - (b) ensure the development of adequate inspection and regulatory standards including additional personnel.

Chapter VI — DESTINATION RESORT GAMING

Casino gaming at destination resorts has been an issue which has created a great deal of discussion and concern. The Commission believes it is possible to have tourist destination resorts which are honestly run and do enhance the quality of the resort itself. The Commission has benefited from experiences in other jurisdictions and we are of the view that we should be authorized to facilitate and monitor one or more experimental resorts. We are recommending a professionally conducted economic/demographic survey of rural locations in B.C. which we believe are suitable for test purposes. The following features would be taken into consideration:

- — large number of tourists either seasonally or year round;
- — local support and enthusiasm;
- — existing infrastructure such as buildings, parking, sewage and water facilities;
- — adequate fire, security and safety provisions as well as reasonable proximity to police services;
- — access to a variety of transportation facilities;
- — minimal existing charity gaming.

Chapter VII — BINGO

Bingo is projected to be a $180,000,000 industry in the 1987/88 fiscal year raising money for various charities in the Province. The Terms and Conditions presently in force stipulate that the charities must benefit by 25% of revenues, a maximum of $7,500 per event can be paid out in prizes and this can amount to no more than 60% of the gross taken in. Out of the remaining 40% must come the 25% charity payout. Conditions particularly with prize payouts and percentages to charities are being violated daily. The following points concerning bingo are highlighted:

— an increase in the Branch staff is required if the bingo industry is going to be controlled;
— all bingo hall operators will be licensed;
— equitable access will be provided to all charities for an opportunity to participate in bingo events;
— the Commission will limit the growth of commercial bingo halls;
— the creation of Charitable Community Associations is encouraged to strengthen the charities role in the industry;
— both advertising and bingo card prices will be regulated by the Commission;
— registered bingo charity advisors will be an option for charities neither beholden to the hall owners nor the charities except in guaranteeing the charitable revenue;
— hall owners will be obliged to charge a reasonable rent;
— improved financial control measures will be introduced.

Chapter VIII — TICKET LOTTERIES

Ticket lotteries or raffles raised a total of $9,300,000 for charitable purposes in the 1986 87 fiscal year. Ticket lotteries of smaller value normally have a much smaller percentage of expenses such as promotion and marketing and therefore pay out more in prizes and to charity. The Commission is committed to ensuring compliance to the Terms and Conditions, particularly in the large ticket lottery operations. The Commission will also require audits to ensure that stated charity objectives are addressed by charities and non-profit societies.

Chapter IX — FAIRS AND EXHIBITIONS

As a result of significant uncertainties and ambiguities fairs and exhibitions remain one of the more undefined responsibilities of the Commission. Considerable amounts of money are gambled at fairs and exhibitions and profits to operators can be exorbitant with opportunities for skimming and other forms of theft being numerous. The Commission will be addressing the following concerns in the future:

— inadequate accounting procedures;
— lack of licensing, terms and conditions for operation, inspection and regulatory control.

The Commission believes the law should be rewritten in language which makes it clear what gaming can and cannot go on at fairs and exhibitions and under exactly what conditions of licensing.

Chapter X — SOCIAL CLUBS

The licensing authority for bona fide social clubs was given to the Gaming Commission in August, 1987. These responsibilities are new and much examination of the situation has yet to be done. In the interim, the Commission has adopted the policies and licensing forms previously in place. As a result of studying a report by the Co-ordinated Law Enforcement Unit we have identified our major areas of concern:

— licensing and the necessary attendant investigation;
— proprietorship i.e., individuals purchasing, selling, owning the clubs for profit;
— the range of games played and the manipulation of these in order to skim profits;
— advertising and competition for patrons;
— membership;
— police interests and involvement of organized criminals;
— municipal bylaw impact and hours of operation;
— liquor consumption and sales;
— financial controls.

Chapter XI — LICENSING, REGISTERING AND BONDING

Licensing and registering of people involved in the gaming industry is seen by the Commission as an essential means of ensuring integrity and more orderly growth of this industry. The following information will become conditions of licensing including renewal of current licences:

— proof of eligibility;
— a signed financial statement and budget identifying objectives, current assets and other sources of revenue;
— status of any trust account;
— number of bingo, casino events and ticket lotteries requested and anticipated gaming revenue required to meet objectives;
— rent structure and copy of agreement;
— a clear definition of the charitable objectives.

A number of concerns with regard to licensing have been identified and require more consultation and policy development. These concerns are as follows:

— the problem of exorbitant or unreasonable rent must be addressed;
— licensing approval for casino management companies and bingo hall operators should be subject to regional zoning, municipal and health regulations;
— registering, bonding and training of the key workers will improve the quality and integrity of gaming activity;
— registration of supply and service companies;
— the use of fines to deter wrongdoing.

Chapter XII — FINANCIAL CONTROL AND ACCOUNTABILITY

There is a critical need for financial control and accountability in all forms of gaming. This simple fact was reinforced in every jurisdiction visited by the Commission. One of the best measures in bingo and casino events is the charities continued responsibility for handling the money and paperwork. To ensure financial control a number of elements should be taken into consideration, including:

— supervision of cash flow should be undertaken by two separate parties i.e. a charity representative and a management company or bingo operator representative;
— separation of responsibilities i.e., the games area, banking area and count room area remain separate;
— surveillance and security;
— clear concise financial reporting forms, universally used;
— charity accountability;
— an increase in Branch audit staff to ensure co-operation and accuracy in reporting procedures;
— proof of financial responsibility and compliance with these controls as a condition of licensing.

Chapter XIII — TRAINING

The Commission believes that training of all individuals associated with the gaming industry is essential to ensure competent, honest, well-run gaming events in the Province. Orientation will also be provided to new members of the B.C. Gaming Commission. The following individuals will be included in this training and the training will be undertaken in various ways as outlined in the chapter:

— charity advisors;
— games dealers;
— management company managers;
— charitable organizations and their members;

— security guards;
— government regulators;
— police.

Chapter XIV — EQUITABLE ACCESS TO CHARITY GAMING

The Commission intends to introduce a process of licensing that will permit all recognized charities and non-profit societies access to funding. The degree of access will depend upon need in relation to available fund raising activity. The process will require budget submissions, follow up audits, an outline of other sources of revenue, objectives of the funding as well as the number and type of people who will benefit from the funding. An increase in the staff complement of the Branch will be required to ensure this process occurs in a fair and orderly manner.

Chapter XV — ADVERTISING AND PROMOTION

Many abuses to advertising and promotions have been brought to the attention of the Commission. Terms and Conditions will be implemented with more aggressive and consistent enforcement to ensure all gaming events are being promoted in an equal fashion. As advertising costs increase, the share to the charity licensees begins to decrease. Practices such as guaranteed prizes above the 60% pay out level, enticements and Nevada style ads will not be permitted. The only information which is essential in advertising is notice of where and when the event is to be held and the name and licence number of the sponsoring charity.

Chapter XVI — B.C. STEAMSHIP SLOT MACHINES

The experiment of installing slot machines on the two B.C. Steamships has been successful in that this is the first time in four years the Corporation is showing an increase in the number of fares; this relates to increased revenues from the fares and the slot machines. If any expansion occurs in the casino gaming, then the operations should be overseen by the Commission and the events should be subject to the Terms and Conditions just as all other gaming activities are in the Province.

The following recommendations are made to the B.C. Steamship Company for their consideration:

— That the slot machine experiment be confirmed as a success and be given permanent status with the B.C. Steamships;
— The current conditions for control, accounting and security be maintained;
— Better utilization be considered. Currently the slot machines are being operated for five of twenty-four hours, and for only five months of the year;
— Increase the capacity of the *Princess Marguerite* to hold more than fifty-seven slot machines;
— To increase flexibility, reconfigure the *Vancouver Island Princess* (VIP) to provide accommodation on board for the crew. This would allow the ship to remain overnight in Seattle, or other ports as may be required;
— The gaming activities of the B.C. Steamship Company should be subject to the regulations of the B.C. Gaming Commission and the Public Gaming Branch.

Chapter XVII — THE POLICE POSITION ON GAMING IN B.C.

A report received from the B.C. Association of Chiefs of Police included a number of overall recommendations relevant to gaming and include the following:

— The B.C. Gaming Commission (B.C.G.C.) oversee all forms of public gaming authorized and licensed under Part V of the Criminal Code;
— The B.C. Lotteries Corporation should remain a Crown Corporation directly responsible to the B.C.G.C.;

- The Public Gaming Branch (PGB), under direct control of the B.C.G.C. should be responsible for licensing, auditing and enforcement in relation to;
  - Charity casinos,
  - Bingo games,
  - Fairs and exhibitions,
  - Social clubs, and,
  - Charity lotteries;
- The C.L.E.U. Operational Compliance Unit, if a special unit is required, should be an integral part of the P.G.B.;
- All functions of a regulatory nature should remain the responsibility of the P.G.B.;
- All monitoring of criminal activities and enforcement should remain the responsibility of the police;
- In conclusion, the B.C. Gaming Commission should provide an appropriate number of personnel committed to performing all the regulatory functions inherent with approved forms of gaming in B.C.

CHAPTER I

ROLE AND RESPONSIBILITIES OF THE B.C. GAMING COMMISSION AND THE PUBLIC GAMING BRANCH

1. B.C. GAMING COMMISSION

The B.C. Gaming Commission was established on April 1, 1987 to develop policy for gaming within the Province and to set the terms and conditions of licences to be issued to charities who use bingos, ticket lotteries, or casino events to raise funds. The Commission is also the licensing authority for these charitable events.

The Commission also has the responsibility of regulating and licensing the various types of gaming which takes place at fairs and exhibitions throughout the Province. On August 5, 1987 the Attorney General specified that the Commission would be the authority in the Province to issue licences to incorporate bona fide social clubs or branches thereof and to prescribe the terms and conditions of those licences in accordance with the requirements of the *Criminal Code* of Canada.

(i) Membership

Seven individuals have been appointed by an Order of THE LIEUTENANT GOVERNOR IN COUNCIL. These are: Richard M. Macintosh, (Chairman), North Saanich; Thomas S. Venner, (Vice Chairman), Vancouver; Bernard M. Smith, Burnaby; Marianne C. Crockett, Trail; Vicki Kuhl, Victoria; Derrick Humphreys, West Vancouver; and C. Ellison Framst, Fort St. John.

(ii) Responsibilities

The Commission is developing policy which will ensure that charitable organizations earn the maximum revenue for their worthwhile endeavours, while acknowledging the fundamental principle of government not to encourage unregulated growth or expansion in gaming activities.

Commission members normally meet every two weeks to conduct the business of the Commission. This business includes the examination of reports prepared by the Branch on the management and operation of gaming activities, as well as preparing responses to written inquiries and recommendations on gaming activity. The Commission also reviews licence applications by bingo hall operators and casino management companies, hears briefs from interested parties, conducts licence appeals and tours gaming sites.

Members of the Commission have been reviewing the current terms and conditions respecting licensing of gaming events in B.C. These terms and Conditions are included in this report as Appendix "B". This involves consultation with charities, service organizations and members of the Branch, which is the inspection and enforcement agency of the government with respect to all licensed lottery events.

In addition, the Commission is developing policies which are implemented and enforced by the Branch and providing information to the public concerning licensing, conduct, management and operation of gaming activities. This provision of information is a Commission priority and is presently being addressed.

(iii) Community Consultation

In the preparation of this report the Commission has reviewed and participated in all relevant activities in an attempt to understand charity gaming in British Columbia and neighbouring jurisdictions. In the past nine months we have received briefs from well over 500 groups and individuals and listened to presentations from 60 individuals and organizations, many of whom are involved in gaming activities within the Province. The Commission continues to receive input from interested citizens and this will be encouraged in the future. Additionally, members of the Commission have read and heard briefs on the Australian and British gaming systems as well as many others in less detail.

Commission members have also visited gaming establishments and held discussions with interested parties in Kelowna, Penticton, Kamloops, Prince George, Trail, Whistler, Dawson Creek, Fort St. John, Chetwynd, Nanaimo, Victoria, Nelson, Castlegar, Tumbler Ridge and communities within the Greater

Vancouver Region (GVR). The GVR which is referred to throughout this report includes Greater Vancouver and a map outlining the specific boundaries is included as Appendix "C". Outside the Province, we have visited Alberta, Manitoba, Yukon Territory, Washington State and Nevada State, where we have had full access to gaming authorities and an opportunity to discuss and observe their systems.

Further information was gathered by a research consultant who was hired on contract to provide the Commission with a detailed profile of gaming activities in four B.C. communities (Prince George, Fort St. John, Trail, and Vancouver). A brief summary of this review is provided in Appendix "D".

2. PUBLIC GAMING BRANCH

The Public Gaming Branch screens all applications for gaming licences and then makes recommendations to the B.C. Gaming Commission as to which applicants should receive licences. The Branch is also responsible for monitoring gaming activity through inspections and audits, thereby ensuring compliance with the Terms and Conditions Respecting Licensing. This ultimately ensures the charitable organization the greatest possible monetary benefit from the gaming activity. In the 1986/87 fiscal year, 5,576 licensees shared in the $35 million-plus raised from licensed gaming activities. The Branch is also responsible for the collection of fees from licensees.

(i) Goals

The Branch provides an ongoing policy advisory capability to the Ministry of Attorney General and the B.C. Gaming Commission in the overall area of public gaming. The goals of the Branch are:

(a) to ensure that eligible, non profit societies have an opportunity to raise funds for legitimate charitable purposes through licensed public gaming;

(b) to ensure the integrity of a gaming industry that, for the past two years, has generated an annual dollar volume in excess of $150 million; and,

(c) to protect the interests of the participating charities, the public and the private entrepreneurs.

(ii) Structure

The Branch currently consists of 31 positions. Twelve full time equivalent positions and eleven contract positions were transferred from the Cultural and Heritage division of the Ministry of Provincial Secretary and Government Services to the Support and Regulatory Services section of the Ministry of Attorney General on November 6, 1986. The other eight contract positions were created after the transfer. The Branch has been restructured into four sections:

(a) licensing;

(b) inspections;

(c) policy development, evaluation and research;

(d) administration and audit.

To carry out their inspection and compliance responsibility throughout the Province, the Branch has field inspectors in Victoria, Vancouver, Prince George, Kamloops, Kimberley and the Okanagan.

3. ORGANIZATIONAL STRUCTURE

Both the Commission and the Branch have concerns with the present organizational structure; the apparent overlapping of responsibilities, the channels of communication and the impact/perception of all this within the charity gaming community in the Province. The Commission believes some changes are necessary.

(i) Charity Licensing

Prior to April 1, 1987 when the Commission was established, all inspection, compliance, regulatory and licensing requirements were carried out by the Branch in furtherance of *their* Terms and Conditions. The Branch, subject to government direction, was all powerful, not just the first line of interface with charities

and the service companies/hall owners. Licensees knew that the same group who inspected gaming events looking for compliance with Terms and Conditions was also responsible for licensing decisions that could deprive a charity of all fund raising opportunities from bingos, casinos, and ticket lotteries. There was an incentive to comply with any directions emanating from the Branch and this carried over into the attitudes of service companies and bingo hall owners, who, although not at that time subject to licensing, were dependant upon charities approved by the Branch for their business. It did not take long for the less scrupulous within the charity gaming community to sense the subtle impact and opportunities of the change in licensing authority to the Commission. The Commission became the focus of their concern; interest in the Branch became secondary. This has had a predictably negative effect with regard to compliance, and, such adjectives as "toothless" and "ineffective" have been used to describe the Branch by its detractors.

To rectify this situation we propose that licensing authority with respect to the charities themselves be removed from the Commission and be returned to the Branch by Order-In-Council. They would, thereafter, be responsible for monitoring the compliance of all licensees with the Terms and Conditions of the Commission. The Branch could also approve, refuse, revoke and suspend licences, having knowledge, and background information of the character and bona fides of all concerned.

The Commission, in addition to setting policy, creating and amending Terms and Conditions, would become a separate entity as appeal body. They would then adjudicate disputes between the Branch, charity licence holders,and other unsuccessful licence applicants. The Commission would retain its newly developed and implemented licensing powers over casino management companies, commercial bingo hall owners/operators and other special categories. This proposal would allow the Branch to serve as our investigative arm, providing the Commission with background information and recommendations.

(ii) Reporting Structure

As a second organizational change the Commission recommends an adjustment to the reporting structure currently in place. We believe we can minimize the considerable confusion which exists in the minds of the public at present as to the responsibilities of the Commission in relationship to those of the Branch. This could be accomplished by having the Branch accountable to the Commission, with the Chairman of the Commission reporting directly to the Attorney General or his Deputy. In this new organizational structure the Director of the Branch would take his instructions from the Chairman and/or Vice Chairman of the Commission. Both would be working closely together to ensure development of mutually supportable policies while avoiding the current problem of the Branch trying to satisfy two masters. Such a change would bring unity to the gaming structure. Policy would be developed and implemented by one organizational structure. We recommend the organizational model as it is set out in figure 1.1 at the end of this chapter.

(iii) Future Legislation

A third more evolutionary and long range development would be to lay a foundation for all the activities of both the Commission and the Branch with the creation of a new provincial statute i.e., *Public Gaming Act* and regulations. While working towards this it will be essential to have in place the Lotteries Advisory Committee contemplated in section 3 of the *Lottery Act*. It is important to ensure that both the Chairman of the B.C. Gaming Commission and the Chairman of the B.C. Racing Commission are members of this Committee along with the Chairman of the B.C. Lottery Foundation Board. We advocate the creation of this committee at the earliest possible time in the interests of a co-ordinated gaming, lottery and wagering future for B.C.

(iv) Commission and Branch Generated Revenue

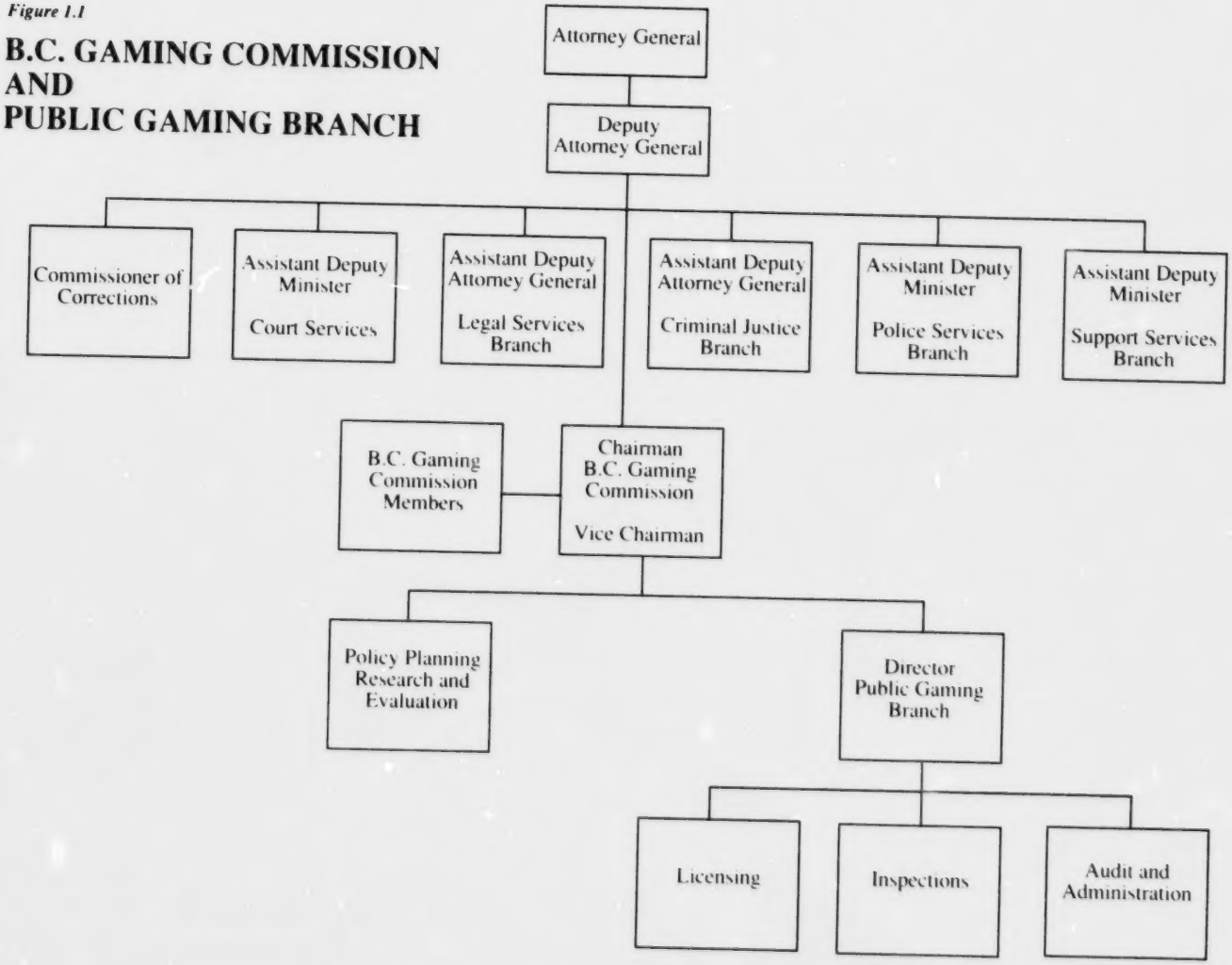
Money which is collected by the Commission and/or the Branch through licensing, fees, fines and any other sources should accrue to the Ministry of Attorney General rather than to the Lottery Branch of the Ministry of Provincial Secretary and Government Services. This would give a more accurate figure of the amount of money generated by gaming activities and provide a fund which the Commission, with the approval of Treasury Board, could utilize to ensure a stabilized growth of the gaming industry in the Province.

4. CONCLUSION

It is essential that the B.C. Gaming Commission and the Public Gaming Branch not only have a close working relationship but are perceived to have this relationship by the gaming community. With this in mind it is recommended that the charity licensing function be returned to the Branch and the aforementioned organizational structure be implemented.

Figure 1.1

B.C. GAMING COMMISSION AND PUBLIC GAMING BRANCH



CHAPTER II

PHILOSOPHY AND SOCIAL CONSIDERATIONS OF GAMING

1. INTRODUCTION

For those individuals who do not want any form of gaming allowed in the Province, the simple reality is "GAMING IS HERE". Bingos, lotteries, horse races, casinos, social clubs, exhibitions and slot machines are all forms of gaming that are available in British Columbia today. No matter what is said and done by those who advocate or oppose gaming in all its various forms, it is an activity that is practised, or tacitly endorsed, by a substantial number of Canadians.

That is the simple, accepted, overriding premise behind all the work of the B.C. Gaming Commission. The Commission has sought to determine the most productive and equitable treatment of this complex social phenomenon. Each Province now has the legal authority to determine the role of gaming within its jurisdiction with private ventures of any kind being restricted to charitable and religious organizations, exhibitions and agricultural fairs.

Gambling is occurring every day in various locations throughout the Province. The Public Gaming Branch estimates that as many as 20,000 individuals play bingo daily with another 15,000 people that frequent casinos. The majority of these people have chosen this recreation over other social activities as a result of the camaraderie and entertainment they derive from gaming. Although some people condemn all types of gaming, others get a great deal of satisfaction from it.

This does not mean that gaming is a simple problem with simple solutions. In fact, gaming is an issue so fraught with ingrained moral and philosophical dichotomies and unresolved social questions, that no disposition of the subject can ever come close to being universally accepted. Attitudes toward gaming encompass the most sincere and high-minded ethical beliefs as well as the basest kinds of acquisitive instincts and exploitation.

If gaming is inevitable, then what forms will we allow and how should these various forms be regulated? That is the subject of this report. Although the Commission is sensitive to the invidious and emotional aspects of gaming it has not addressed the social ramifications of gaming policy directly because they are largely unsusceptible to objective analysis. The Commission has encouraged interested groups and individuals to submit letters or briefs expressing their views on gaming in the province. The responses to this request are dealt with in various chapters of this report.

Communities and regions need to be made aware of issues involving the social consequences of gaming. They should discuss and examine gaming policies as to how they will affect their specific jurisdictions.

2. MORAL AND ETHICAL CONSIDERATIONS

A significant number of individuals believe that gaming of any form is absolutely wrong, on both religious and secular moral grounds. By sanctioning gaming, the Province may be intruding into areas of sincerely held theological and ethical convictions. It may be that legalization or decriminalization makes allegiance to government extremely difficult for people with deep moral convictions, who are forced more and more to dissent from the actions of their government. It must be asked if the gain for the majority is worth the price of the alienation of the minority.

3. GAMING AND THE WORK ETHIC

There is no reliable way to calculate the effect on the work ethic of legalizing or decriminalizing gaming which was once prohibited. If, through legal gaming, citizens are allowed or encouraged to make a profit or gain through chance and skill rather than through work, the government may be undermining a basic social tenet of our culture. Others argue that playing the stock market, which many consider to be work, is truly a gamble.

4. GOVERNMENT AS GAMING ENTREPRENEUR

When a large segment of the population finds an activity objectionable, a Province must decide whether it should allow and, in effect, promote that activity. Also, many people believe fervently that it is improper for government — especially a democratic government in a capitalistic society — to compete in the marketplace with private enterprise and that Province-sponsored gaming could be seen to violate that principle.

A report was prepared by the Legislative Research Council for the State of Massachusetts, U.S.A. in 1983. The Legislative Research Council was commissioned to help the government decide for or against legalized casino gaming. Their report forcefully outlines why government should not be involved in the gaming industry. The state subsequently rejected involvement in legalized casino gaming, and a brief excerpt from this report is included in Appendix "E".

5. OVERESTIMATION OF NEW TAX REVENUE

Profit and revenue potential is often overestimated by those involved in and supporting the gaming industry. Several factors must be considered:

(a) Novelty — When legalized gaming debuts it enjoys more support initially than on a long term basis, reflecting profits higher than average;

(b) Monopoly vs. Competition — If one area introduces gaming first, it will enjoy a wide, profitable market due to its exclusivity. However, this will lessen if increased competition from other areas occurs;

(c) Revenue Switching — Gaming revenue is often mistaken for newly injected disposable income. However, normally the consumer has switched some or all of his gaming expenditure from another consumption area. Although there is a net increase in tax revenue from gaming, a loss will be reflected in tax revenue in other areas. However, this has not been proven to be of a comparable amount. In a report commissioned by the Victoria State Government of Australia entitled "The Impact of the Introduction of Lotteries on Pre-existing Forms of Gaming", it was indicated that the introduction of new forms of gaming such as lotteries have no decreasing effect on the revenues being produced from other forms of gaming such as horse racing and casinos.

6. LAW ENFORCEMENT COSTS

It remains to be seen whether casino and bingo gaming in B.C. will bring about any increase in law enforcement costs, apart from an enlarged regulatory apparatus. There has been no evidence so far to indicate any connection between increased crime and the presence of casinos or commercial bingo halls in any British Columbia community. Inevitably, someone, someday may steal funds from a gaming undertaking. However, theft occurs in the local department stores as well. At the current betting limits it is quite certain that no one is leaving gaming establishments with inordinate amounts of cash. With this in mind, they would not be ideal targets for pick pockets and muggers, etc., and would therefore not bring any increased responsibilities to local police forces.

7. CREATION OF NEW GAMBLERS

Research has shown that the availability of legal gaming creates new gamblers. A government that wishes merely to legitimize existing illegal wagering must recognize the clear danger that legalization may lead to unexpected increases in the size of the gaming clientele.

8. COMPULSIVE GAMBLING

There are few studies correlating legalized gaming and compulsive gambling. However, it is generally accepted there is an association between the two. The more accessible gaming is, the more possibility there is of it becoming a compulsive habit for some individuals. The Terms and Conditions presently in place in B.C. reflect some protective measures to discourage compulsive gambling, such as hours of operation and restrictions on the extension of credit.

9. CONCLUSION

In conclusion, it is recognized that the list of social consequences of gaming is by no means exhaustive. Gaming policy involves ramifications that are not yet known and that cannot be resolved until various forms of legal gaming are attempted. The issues enumerated above, however, must be weighed carefully by any jurisdiction that endeavors to formulate a gaming policy that best satisfies the needs and wishes of its citizens. Indeed, they might well serve as criteria against which jurisdictions can measure and perhaps formulate their own goals and desires regarding the regulation and control of gaming. These issues also represent the first step in a complex social analysis that will continue throughout the life span of this Commission.

CHAPTER III

HISTORY OF GAMING IN B.C.

1. INTRODUCTION

The history of gaming in British Columbia barely spans two decades. Only in the last five years has gaming activity entrenched itself into the social fabric of the Province. As one of four western provinces, British Columbia was slower than Alberta and Manitoba in moving into the lottery industry. However, being leaders in the industry, both Alberta and Manitoba experienced problems from which British Columbia has been able to glean benefits. Recently, British Columbia has initiated significant strides to keep pace with the exponential growth which has occurred since 1982.

The evolution of gaming in British Columbia was an arduous process with responsibility for the administration and enforcement being divided and passed between ministries and control agencies within these ministries. During the most recent period of rapid growth (1982 to present), jurisdictional gaming parameters were established and the responsibility for their administration divided between lotteries and gaming for charitable or religious purposes.

2. FEDERAL LEGISLATION

In 1969, the Minister of Justice, John Turner, introduced section 190 of the *Criminal Code*. Prior to the enactment of this legislation, gambling in Canada had been unlawful. Section 190 allowed:

(a) for the government of the Province directly to run approved lottery schemes, including casinos;

(b) for the government of the Province directly to licence, or through another person or agency, charitable or religious organizations to conduct gaming where proceeds are directed to bona fide purposes; and,

(c) for the government of the Province only to conduct gambling through video or slot machines.

Section 190 became an exemption clause which gave provincial governments the authority to licence gaming within the respective provincial jurisdictions, provided that the financial gains derived from the gaming activities were distributed to bona fide charities. The legal framework did not allow for the development of private sector, entrepreneurial gambling, except in support of approved activity conducted by charitable and religious organizations.

3. BRITISH COLUMBIA — 1970 to 1979

In April 1970, an Order-In-Council passed pursuant to the *Criminal Code* of Canada, permitting the Province to conduct public gaming within its boundaries. A small Licensing Branch was created within the Ministry of Attorney General which began issuing licences to charitable and religious organizations, and agricultural fairs and exhibitions to conduct lottery schemes. Between 1970 and 1974, the Branch began to develop regulations for licensing and financial accountability of charities.

In 1974, the Province of British Columbia became a partner with the other three western provinces in the creation of the Western Canada Lottery Foundation. Each province was responsible for its respective marketing. Within B.C. the responsibility for the conduct of provincial lotteries and the licensing fell to the newly created B.C. Lottery Branch with the passage of the B.C. *Lottery Act*. This Branch was placed under the Ministry of the Provincial Secretary and Government Services.

The Act called for the Minister to be responsible for:

(1) the administration of the Branch;

(2) the conduct of Province run lotteries;

(3) the regulation and licensing of other gaming activities; and,

(4) the establishment of a committee to advise and assist the Minister.

The B.C. *Lottery Act* also created a Lottery Fund from which costs of administering the Act were to be paid, including those costs of the Lottery Grants Branch which would administer the Act. Initially, profits from lotteries in B.C. remained relatively modest and had been designated for ". . . cultural or recreational purposes or for preserving the cultural heritage of the Province . . ." In 1976 the Act was amended to include "other purposes" and in 1979, the Lottery Grants Branch was created to administer the fund which was growing from increased lottery activity. Licensed public gaming, mainly raffles and bingos, was of less concern relative to lottery activity.

Lotteries continued to be administered by the Western Canada Lottery Foundation until April 1, 1985, when the B.C. Lottery Corporation was established under the B.C. *Lottery Corporation Act*.

4. BRITISH COLUMBIA 1979 to PRESENT

(i) Public Gaming Branch

As early as 1974, the Licensing Branch, which had been created under the Attorney General, was transferred to the Ministry of the Provincial Secretary and became part of the B.C. Lottery Branch. The first two Field Inspectors joined the Branch (one in Vancouver and one in Victoria) and initiated the enforcement of the regulations. In 1981, on the recommendations of Treasury Board, the Branch was expanded to include six Field Inspectors and one Chief Inspector.

The focus of priorities changed in 1982. The Branch became a licensing body, with an inspection staff of seven people. The provincial lotteries became the sole responsibility of the Western Canada Lottery Foundation, separate from the Branch, and moved to its current location in Richmond, B.C. Jurisdictional authority for gaming under the *Criminal Code* of Canada was divided as follows:

(1) Section 190 (1) (a) was the responsibility of the Western Canada Lottery Foundation;

(2) Sections 190 (1) (b) and 190 (1) (c) remained the responsibility of the Branch.

The development of bingo, casino, and ticket raffle activity was slow to evolve relative to lottery activity in British Columbia. However, in 1984, this was to change. An entrepreneur, displaced when the Manitoba government took over direct operation and control of gaming in that province, moved to British Columbia and opened a bingo "Palace" in Cloverdale.

This commercial operation was to be the vanguard; within the year there were in excess of fifty such commercial halls in operation. Contrary to the regulations, owners and managers of the commercial halls became directly involved in the conduct of bingo games to protect their investments.

Regulations were developed and implemented in November of 1984 in an attempt to separate the duties and responsibilities of the landlord of the commercial hall from the charity licensee. Commensurate with these regulations, a moratorium was placed on the issuing of new bingo licences in an effort to control the proliferation of bingo activity.

Less than two months later, as part of the government restraint measures, the Branch was reduced in staff from fifteen people to six, with no field inspectors. This virtually eliminated the operational efficiency and effectiveness of the Branch. There was little opportunity to monitor the degree of compliance with the new regulations and there was no opportunity for enforcement.

Despite the fact there was no staff to administer the process, the moratorium was lifted within a few months. At the same time, the requirement for increased administrative staff and field inspectors was realized. Additional personnel were hired, enforcement was initiated, and, in the fall of 1985, a major review of bingo regulations was undertaken.

On November 6, 1986, the Branch was transferred back to the Ministry of Attorney General. Its mandate continued as the agency which would:

(1) license charitable and religious organizations pursuant to section 190 (1) (b) of the *Criminal Code;*

(2) monitor licensed gaming activity commensurate with the Regulations; and,

(3) advise the Minister on all gaming matters and changes in regulations.

(ii) B.C. Gaming Commission

On April 1, 1987, the B.C. Gaming Commission was established by Order-In-Council. Its purpose was to set policy for gaming within the Province and to set the Terms and Conditions of licences to be issued to

charities who use bingo, ticket lotteries and casino events to raise funds. The Commission was also the licensing authority for such charitable events.

Unlike other jurisdictions which had experienced a gradual growth in gaming activity, British Columbia was inundated with unprecedented expansion in casino and bingo activity within a twelve month period spanning 1985/1986. There was great concern that casino activity in particular was developing in such a manner that it could lead to difficulties for the charities involved and for the casino management companies alike.

As a result, one of the major undertakings of the Commission was to review the status of gaming within the Province and to report to government by November 30, 1987. While the Commission was undertaking its study, the Cabinet decided to impose a "freeze" on casino activity in such a manner that would:

(1) only issue licences to charities which had been utilizing casino events for fund raising in 1986 and 1987;

(2) approve licences only for locations which were currently in use; and,

(3) restrict licensing to casino management companies which were currently active.

As a fundamental principle, it was not the intention of government to encourage unregulated growth or expansion in gaming activity in British Columbia but to provide a policy framework within which selective options could be pursued.

In August 1987, the responsibility for licensing and establishing the Terms and Conditions for Social Clubs, pursuant to section 179 of the *Criminal Code*, was transferred to the Commission from Police Services Branch. The administration and enforcement remained within the Compliance Unit of C.L.E.U. until November 1987 when one contract position was transferred to the Branch to work in this area.

5. BINGO

Prior to November of 1974, British Columbia had only two commercial bingo halls; one in Nanaimo and the second in Kamloops. Both of these operations had the support of the community and were sensitive to the needs of the charities involved.

Commercial hall operations had expanded by June of 1986 as a result of an influx of entrepreneurs from the prairies who were attracted by the $100 million per year industry. They had replaced most of the small traditional bingo hall operations. Most licensees were novices and quickly became intimidated by the "professional" hall owners whose motivations were inconsistent with those of the charities.

On June 9, 1986, regulations were introduced to address this proliferation and profit seeking motivation. In addition, on October 1, 1986, the production of bingo paper was taken out of the hands of the private sector and given to the B.C. Lottery Corporation. This latter initiative allowed the Branch to impose strict inventory and revenue controls on the licencees. In the spring of 1987 all regulations and policy directives were replaced by Terms and Conditions. Currently there are approximately 63 commercial bingo halls in operation throughout the Province and approximately 2,200 bingo licences issued to charities.

6. CASINO

(i) 1970 to 1985

From early 1970 to December of 1984 casino gaming was conducted as an adjunct to bona fide social functions. They were restricted to a $2.00 bet limit, 6 blackjack tables, and an unlimited number of roulette wheels and wheels of fortune. Thirty five per cent of the gross proceeds from the games had to be returned to the licensed charities.

For the most part these events were one or two day "fun night" affairs conducted in local halls and operated solely by volunteers from the licensed charity. The equipment was usually of a poor quality and either self-owned or rented. Gross proceeds rarely exceeded $1,000 per event.

In 1982, Great Canadian Casino Supply Company was incorporated. The company offered professional equipment and services to licensed charities for a percentage of the gross proceeds. They operated approximately five times per month at marginal profit levels. For the balance of the year the company was sustained by profits received from the three week operation at the P.N.E. where the bet limit was $5.00 and the dealers could be paid.

By 1983, Great Canadian operated with hired and trained staff paid as "honoraria" from the proceeds. Policy prohibited permanent sites which required the company to set up and dismantle the equipment each night. Great Canadian guaranteed the licensee 35%, which was the minimum requirement under the regulations. Great Canadian received 35%, the government 2%, and a promoter who booked the room and arranged for the advertising and entertainment received 28%, plus the door admission.

(ii) 1985 to June 1986

In the fall of 1985, Great Canadian was joined by other casino management companies who realized the potential for profit, especially with the increase in the bet limit from $2.00 to $5.00 and the increase in the number of blackjack tables from six to ten.

By May of 1986 there were 32 companies operating in the Province, and on any weekend in the Vancouver region there would be up to twenty casino events. With the competition, the private promoters disappeared, average attendance dropped, and the gross revenue per event declined.

Eligible charities were actively solicited by the casino management companies to apply for licences resulting in the Branch being inundated with applications. The casino management companies ceased to move from location to location each night and instead established themselves in permanent locations. Casino events which had initially only operated on weekend evenings, began to operate 7 days per week and began to open at noon.

Major problems erupted, most of which were associated with financial discrepancies. Few companies had experienced personnel. In most cases the "win" became a guess since appropriate accounting forms and audit trails were absent. Gross revenue (win) occasionally exceeded $25,000 and the cash flow (the drop) could exceed $100,000. Little or no supervision was provided and only in rare cases were security personnel present. Participation by the charities decreased and on occasion members of the charities were not present at the casino to handle the cash as required by the regulations.

(iii) June 1986 to April 1987

On June 9, 1986, new regulations were introduced in an effort to bring an untenable situation under control. The bet limit was reduced to $2.00, and the percentage of the gross which charities must receive was increased to 50%. In addition, the number of licences which could be issued to charities in the Greater Vancouver Regional District was limited to 12 per week. Other changes included the restriction of the number of hours of operation to 6 during the evening only, the exclusion of casinos on Tuesday, a limit of 5 roulette wheels, the elimination of the wheels of fortune, an increase in the licence fee to 5%, and a requirement that the licensees have greater control over the operation, particularly the cash.

These changes had a dramatic effect on bringing casino gaming under control. However, they severely affected the net revenue to licensed charities. By August there were only 12 casino management companies operating. Those casinos with good roulette play fared the best since the $2.00 bet did not appreciably affect the amount won. The restriction on the 12 licences drawn per week in the G.V.R. did not initially become a factor since fewer than twelve applications were received per week.

The casino management companies immediately replaced their 35% guarantee with a no loss guarantee. The charities were expected to pay the 35% fee of the companies as well as all other expenses, shifting the risk from the management companies to the charities. The charities were formerly "first in line"; now they were last. Charities rarely made their 50% as required by the regulations. It soon became apparent to the casino management companies that they would not face bankruptcy as long as there were enough charities available. Some casino management companies only started to make money with these new regulations. By the spring of 1987, major problems again began to surface.

(iv) April 1987 to present

On April 1, 1987, Cabinet imposed a "freeze" on casino activity which limited casino gaming to those casino management companies and those charities which had operated in the past. The freeze would remain in effect until the newly formed B.C. Gaming Commission submitted its report to government on the status on gaming in the Province.

Between April and December of 1987 the number of active casino management companies decreased from thirty-two to fifteen. During this same period, the percentage to charities increased with all

receiving the required 50%. To date, there have been approximately 1,300 casino licences issued to charities.

The ultimate success of some casino management companies and the demise of others was a direct result of the draw which had been imposed a year earlier on June 9, 1986, limiting 12 charities to run casinos per week in the G.V.R. Initially this was not a factor because less than 12 charities applied. However, it became a major issue when virtually all charities applied and all casino management companies became dependant on this "limited" resource. In the true entrepreneurial spirit, it became a matter of the survival of the fittest — organizational Darwinism.

7. TICKET LOTTERIES

Ticket lotteries, which for many years had been the most popular fund-raising activity for charities, started losing their appeal as other more lucrative options became available. Licensed raffles hit a peak in the fiscal year 1984/85 when 2,099 licences were issued. In 1985/86, they dropped to 1,795 and in 1986/87 they continued to drop to 1,475. As of Novemeber 19, 1987 there had been 936 licences issued.

The popular decline of raffles was partly caused by the increase in other forms of gambling, in particular government lotteries. Bi-weekly and weekly draws for larger cash prizes became more attractive than a chance to win a car which would be awarded three or four months hence.

8. SOCIAL CLUBS

British Columbia is the only Province to license gaming in social clubs. The fact that other jurisdictions in Canada do not license social clubs does not mean that this sort of gambling is nonexistent elsewhere. In other jurisdictions they simply become illegal common gaming houses, subject to police action.

The licensing of Social Clubs under section 179 of the *Criminal Code* by the Attorney General shifted administratively to the Provincial Secretary with all lotteries in 1974. It then returned to the Ministry of Attorney General in 1986.

Initially there were no inspectors in either ministry. When inspectors were hired by the Provincial Secretary, legal advice stopped them from visiting and examining the operation of the clubs. Almost all of the clubs were suspected of being proprietorships — not social clubs — but businesses, owned and operated for personal profit and not for the benefit of the members.

It was not until the early 1980's that regulations were proposed which would assure compliance. In 1986, when the Attorney General reassumed responsibility for the licensing, the Police Services Branch was asked to deal with the matter. In August of 1987, the administration and licensing of social clubs was handed over to the B.C. Gaming Commission. To date, there are approximately 45 licensed Social Clubs operating in the Province.

9. CONCLUSION

The role of the Public Gaming Branch and the B.C. Gaming Commission is, by its nature, dynamic. The future of gaming in British Columbia will probably reflect its history with changes evolving from policy. Although its brief history has been fraught with continual movement, the industry has continued to grow.

Rapid growth in the gaming industry has caused policy makers to become cautious and prudent in their perspectives. Continued change is inevitable in an environment driven by an entrepreneurial spirit on the one hand, and a political climate on the other. In the centre is gaming activity for charitable and religious organizations with bona fide purposes.

The motivator for all participants is money. Without the lucrative profits there would be no entrepreneurs of the industry, no loyal supporter of the games, and, consequently, no bureaucratic administrators. Charities would be active in other avenues, seeking financial support for their worthwhile endeavors.

Suffice to say that history will probably repeat itself. Gaming in British Columbia has not reached maturity. As such, its arduous destiny will continue to be a function of the determination of the political process, the decisions of the policy makers, and the will of the people who are impacted by the gaming activity.

CHAPTER IV

GAMING EXPERIENCES IN OTHER JURISDICTIONS

1. INTRODUCTION

Canada was one of the last Western nations to liberalize its gaming laws. The very first legal lottery in Canadian history was originally designed to help pay for EXPO 67, the World's fair in Montreal, and was introduced by the city's mayor, Jean Drapeau, who coined the phrase "voluntary tax" when describing the lottery.

The use of lotteries as a means of creating new tax revenue was common in Europe. It appears that lotteries were considered in Canada for a correlating purpose. It was a means of replacing the direct tax dollar, which had been extracted to exhaustion, with a less painful method to help finance large-scale projects such as the 1976 Olympics.

Lottery proceeds replace and enhance what may have been direct government financing. Although the provincial and federal governments are like charitable and religious organizations in that they have to use their lottery proceeds for "good" causes, what was once delivered directly from government coffers for various projects can now be offset or eliminated by the proceeds from lotteries. The funds are used as grants for programs, sometimes replacing or subsidizing a former direct government grant.

2. BACKGROUND — CANADIAN JURISDICTIONS

Shortly after the 1969 amendments to the *Criminal Code*, the Province of Quebec established a corporation for the licensing of lotteries and races. Within a year, Ontario had established a municipal licensing policy. British Columbia, New Brunswick and Saskatchewan decided not to consider a provincial lottery scheme of any kind. Alberta was conferring with Nevada while Prince Edward Island had decided not to alter its laws. Manitoba initiated a policy whereby the municipalities could license lottery schemes under a certain prize limit with a provincial board handling the remainder.

Within two years, with Quebec in the lead, other provincial jurisdictions became cognizant of the potential advantages of provincially run and controlled lottery schemes. Between 1970 and 1979, the following major lotteries were introduced in addition to other smaller lotteries:

— 1970 — Manitoba Centennial Sweepstakes (provincial);
— 1973 — Olympic Lottery which later became Lotto-Canada (federal);
— 1974 — Western Canada Lottery Foundation (interprovincial);
— 1975 — Wintario (provincial);
— 1976 — Provincial (interprovincial);
— 1977 — Cash for Life (Ontario Mental Health Association);
— 1977 — Atlantic Lottery (N.B., N.S., P.E.I.);
— 1978 — Lottario (Provincial).

By 1973, all four western provinces had become involved with lotteries on their own. A planned partnership of these jurisdictions evolved the following year as the Western Canada Lottery Foundation. This interprovincial organization, directed by a board of eight members, was given the responsibility to manage and conduct lotteries on their collective behalf. In the spring of 1986, its name was changed to the Western Canada Lottery Corporation.

In the autumn of 1976, the Ontario Legislature passed a provincial act which in turn created the Inter-Provincial Lottery Corporation. Shortly thereafter, the corporation was federally incorporated with British Columbia, Alberta, Saskatchewan and Manitoba. Quebec joined the Corporation in 1978; the Atlantic provinces followed a year later. It was this Corporation which managed and conducted nation-wide lotteries on behalf of all ten provinces.

The federal government retired from the lottery field in 1979. The Inter-Provincial Lottery Corporation agreed to make an annual payment of $24 million to the federal government, and in return, the Corporation assumed the Lotto Canada game and subsequently renamed it Super Lotto. During this period, a second

agreement was signed between the provinces and the federal government whereby the provinces agreed to pay one hundred million dollars over three years in return for the federal government amending the *Criminal Code* to remove itself as a participant in lottery and gaming activities.

3. B.C. NEIGHBOURING JURISDICTIONS

(i) ALBERTA

Between 1970 and 1973, senior police personnel were given authority to issue bingo and raffle licences pursuant to section 190 of the *Criminal Code* which came into force on January 1, 1970. The police were not required to review the background of organizations to determine if their objectives were in fact charitable or religious and there was no requirement for financial reporting.

From 1973 to 1976, two Licensing Officers took over all the licensing functions from the police and introduced a system of financial returns which each organization had to complete after each lottery event was held. This small lotteries section did not have the resources to audit any gaming operations nor could they initiate any investigations into suspected violations.

In 1976, the Gaming Control Branch of the Attorney General's Department was formed and three Units were created within the Branch — Licensing, Auditing, and Investigations. The objective of the Branch was to establish control over all aspects of licensed gaming in Alberta, including bingo, ticket raffles, pull tabs, and casino. Alberta was the first province to clearly move into government related casino gaming for charity fund raising purposes.

As of January 1,1981, the authority for licensing was transferred to the Alberta Gaming Commission, which is composed of one full-time Chairman and six part-time members all appointed through Order-In-Council. The Gaming Control Licensing Officers became licence reviewers and have continued to perform the review function of all applications as before. However, instead of authorizing or denying an application, they recommend to the Commission that a licence application be approved or refused. Organizations which have had their applications turned down have the opportunity to present their application at a public hearing before the Gaming Commission.

Types of Gaming Activities

Four types of gaming activity are licensed in Alberta. They are bingo, casinos, ticket raffles, and pull-tickets. Each of the four types has specified Terms and Conditions governing the conduct and management of the game.

Bingo — Bingo events must be held within the organization's own municipal or community boundaries. Bingo licences may be issued for a single event or for a continuous series of events to a maximum of twelve months per licence. Only individual licences will be issued; there are no "umbrella" licences issued to parent organizations. Distribution of gross proceeds shall approximate 65% for prizes, 10% for expenses and 25% for profits to the charity. In reviewing any bingo licence or any amendment to an existing licence, the Gaming Commission will only approve licences with a prize payout of less than $15,000 per event.

If the primary use of a facility is to hold bingo events, the Gaming Commission will require that the licensees operating in the facility form an association. The purpose of the association is to assist its members in co-ordinating bingo-related activities, including arrangements for the facilities, supplies and staffing. Callers and cashiers may be hired staff. In addition, the associations may hire an individual to provide co-ordinating services. All other bingo workers must be volunteer members of the licensed charity and shall not receive remuneration.

Casino — There are two types of casino applications. One is for applicants intending to operate nine games or less; the second is for those who will operate more than nine games. Only one public casino will be licensed in any city or town at one time, except in Calgary and Edmonton where two organizations will be licensed for Friday and Saturdays. Public casinos are permitted from Monday to Saturday and will be limited to two days (except agricultural fairs and exhibition boards).

There are five permanent casinos located in Calgary and Edmonton exclusively. Charities negotiate for casino services with private equipment rental companies on an average fee of $17,500 for a two night event. Equipment rental company employees take no part in the handling, counting, or disbursement of the

funds generated, nor do they have access to the banking facilities on the premises. Only charity volunteers and other paid charity workers take part in the financial matters. Misappropriation has occurred and charity workers prosecuted. However, casino gaming is relatively honest.

A charity of religious organization is eligible for only one public or private casino licence at a time and may hold only one casino of a two day duration in a year. Where an organization has branches or auxiliaries, or similar related affiliations, only one of either the principle organization or the related group may be eligible at any one time for a casino licence.

The organization must supply sufficient personnel to staff the administrative and financial control positions for the duration of the casino. With the exception of advisors, these individuals must be volunteers of the organization. These positions do not include dealers and pit bosses who are normally hired by the licensee and registered by the Gaming Commission.

Eligible organizations in Calgary and Edmonton are placed on a rotating list and assigned casino dates by public draw which is held every two months in each city. It is possible to wait as long as eighteen (18) months depending on the demand. However, sooner or later all approved licences are drawn. Private casino events are normally held for only one day's duration and are limited to members and guests. They may be scheduled as preferred by the applicant. In all cases, a licence fee is required by all organizations.

The unattractive features of this model have to do with a lack of competition. Casinos are a monopoly at present with their numbers being controlled by the Gaming Commission. Modest growth beyond the current profile is unlikely. Demand for casino events by charities is greater than the supply available by the casino supply companies. Hence, there exists no incentive to improve the premises or create a more pleasant environment commensurate with a higher class gaming ambiance. The buildings are not luxurious and the equipment is less than first class.

Patrons line up for entry at noon each day and the casino generally remains full until 2:00 a.m. when the doors are closed. To the players, the casino is not considered to be a place of entertainment. Very few patrons are aware of the charity or non-profit organization which is licensed to operate the casino. They are not aware of charitable objects which are being supported by the proceeds, nor do they care.

Raffles — Raffles are not a major gaming activity. The retail value of prizes awarded must be at least 20% of the total ticket value. Where individual ticket prices are $50 or more or where the total ticket value is over $25,000, no revenue from ticket sales may be used on raffle expenses or approved objects until sufficient funds are available to guarantee awarding of prizes. Tickets cannot be advertised or sold outside Alberta.

Pull-Tickets — Licences are issued on an annual basis only. Organizations will be licensed to sell pull-tickets only on their own premises (owned or rented) and in the specific area of the premise identified in the application as approved. In addition, sales must only be conducted during events or activities operated by the licensee. The premise must be the facility from which the organization regularly conducts its charitable/religious activities or delivers its services to the community, rather than a facility used for licensed gaming events.

A maximum of 10% of gross proceeds, less the cost of prizes and units, may be used for costs associated with the conduct and management of pull-ticket sales. However, not all groups use this 10% administrative fee. The primary user are the legions which sell 55% of all pull-tickets through approximately one half of their 230 legion branches.

The licence fee for pull-tickets is 1% of gross sales. Payout distribution is based on the following scale:

— 74% Prize payout;

— 6% Expenses;

— 20% Net Profit to charity.

The Alberta Gaming Commission licenses charities to sell pull-tickets. The charities purchase their pull-tickets from one of over 20 distributors throughout the province which in turn acquire the pull-tickets from several manufacturers located in United States, Alberta, Manitoba, and Eastern Canada. At this time, the Alberta Gaming Commission is not contemplating being the sole distributor but is merely establishing minimum standards for the manufacture, distribution and sale of pull-tickets.

(ii) MANITOBA

During the fiscal year 1979/80, lotteries in Manitoba were conducted through the co-operative efforts of the Manitoba Lotteries Commission and the Western Canada Lottery Foundation (WCLF). The WCLF was the manufacturer of lottery products while the Commission served as the provincial marketing organization. Meanwhile, the Western Lottery-Manitoba Distributor Inc. acted as wholesaler and a variety of local community organizations, sports clubs, associations, grocery stores, hotels, and other outlets retailed the lottery tickets to the general public.

In October 1980, The *Lotteries and Gaming Control Act* was passed creating both the Manitoba Lotteries Gaming Control Commission and the Manitoba Lotteries and Gaming Control Board. This brought all provincial lotteries under one roof with a staff that supported both the Commission and the Board, although the two organizations were separate entities.

In June 1982, the *Manitoba Lotteries Foundation Act* was passed. As a Crown agency, the Manitoba Lotteries Foundation (MLF) was initially conceived as a body responsible for the conduct and management of lottery events for the provincial government, and the licensing of charitable and religious organizations to conduct lotteries in Manitoba. It replaced the Manitoba Lotteries and Gaming Control Commission and the Gaming Licensing Board. The affairs of the Foundation were to be administered by a Board of Directors comprised of ten members.

In 1984, the operation of casinos in the Province came under the control of the MLF. This included all rural locations in addition to Winnipeg events. A new state-of-the-art television surveillance system was installed at the downtown casino at the Winnipeg Convention Centre. In June of that year, the MLF assumed control of the three large bingo enterprises in Winnipeg. Also in June, the MLF began to distribute "breakopen" tickets to licensed groups as well as officially becoming the sole legal distributor of "break-open" tickets in the Province.

On January 1, 1987, the Manitoba Lotteries Foundation (MLF) negotiated with the newly developed "umbrella" groups which had been identified to facilitate the equitable distribution of gaming revenues accruing to the foundation. The term "umbrella" group specifically referred to a single, large representative body made up of a number of smaller, community organizations that share common or similar objectives. The groups with a common interest in providing various services for the benefit of their respective communities would stand under the "umbrella" and would share in the gaming/lottery profits of its respective group. Once gaming/lottery revenues are turned over to an "umbrella" group, each would be responsible for determining how the funds would be disbursed by their related groups throughout the Province.

All umbrella organizations must have their criteria for funding approved by the Board of the Manitoba Lotteries Foundation. The present structures are:

(1) Manitoba Sports Federation;
(2) Manitoba Arts Council;
(3) Manitoba Community Services Council;
(4) Manitoba Intercultural Council;
(5) Manitoba Community Education Association;
(6) Manitoba Heritage Federation;
(7) Department of Health, Sports Directorate;
(8) Department of Culture, Heritage & Recreation;
(9) Red River Association Exhibition Association;
(10) Le Festival du Voyageur;
(11) Folklorama (Folk Arts Council of Winnipeg);
(12) Winnipeg Blue Bomber Football Club.

Types of Gaming Activities

The Manitoba Lottery Foundation markets and distributes everything from Lotto 6/49 to "breakopens", casinos, bingos, raffles, Western Express, and instant scratch games. The MLF works in conjunction with the Western Canada Lottery Corporation which designs the lottery games, prints the lottery tickets, administers the lottery games, and pays the prize money.

Bingo — The MLF operates full-time, year-round bingo facilities located within the City of Winnipeg on behalf of community organizations throughout the Province. The facilities offer players matinee, regular and late games as well as the opportunity to purchase a variety of "breakopen" tickets (also known as pull-tickets). Proceeds from these activities go to the various charitable and religious groups supplying volunteers to assist in the operation of the bingo events. Quarterly financial reports are mandatory and must be submitted by the licensee within 30 days following the end of each quarter.

New Terms and Conditions for the operation of bingo events were established to ensure that there was no proliferation of large bingo operations by groups banding together and hiring private entrepreneurs. In addition, Terms and Conditions were established to reduce the opportunity of collusion between operators at bingo events.

Casino — Prior to 1987, the MLF operated "CASINO AT THE CENTRE" for 90 days of the year. This is a permanent, downtown casino located on the second floor of Winnipeg's popular convention centre, adjacent to the Holiday Inn. It is staffed and managed by the gaming professionals of the MLF who are provincial employees. A high standard of dress and deportment is required. However, a test has been conducted this year to greatly extend the number of days of operation.

The profit margins are impressive and considering the limited operation, it reflects positively on the future of casino gaming in the Province. The concept is well accepted and few complaints are heard. Proceeds from the casino support a variety of community activities throughout the Province as distributed through the "umbrella" groups. The gaming roster includes 40 tables including Roulette, Big Six or Wheel of Fortune, Baccarat, Blackjack, and the increasingly popular South-East Asian game of Sic Bo.

It is anticipated that the Province will gross eight million dollars in 1987 (6.75 million from the Winnipeg location and 1.25 from the rural casino events). On average, the per diem take has been $74,000 from the CASINO AT THE CENTRE. Virtually all patrons who frequent the Winnipeg casino comprise 3/4 of 1% of the City's population. It is anticipated that if the CASINO AT THE CENTRE were to operate all year round it would gross approximately 30 million dollars.

The security system at CASINO AT THE CENTRE is recognized as being on a par with Nevada in terms of its sophistication. The accounting room and bank are located in a separate room and are equally as secure. Betting limits vary from game to game:

Blackjack	— $ 2.00 to $200.00
Roulette	— $ .50 to $100.00
Baccarat	— $10.00 to $200.00
Wheels of Fortune	— $ .50 to $ 10.00
Sic Bo	— $ 1.00 to $ 10.00

As a policy, tipping is not permitted. Employees are paid a reasonable wage and it is felt that if tipping were allowed it might influence dealers and be construed by other players as a demonstration of unfair advantage.

Rural communities may operate one casino, once per calendar year, for a five day maximum duration (Brandon excluded from the five day maximum). However, they are discouraged as much as possible, particularly in communities with a population less than thirty-five thousand (Brandon is the only community which qualifies under this criteria). The MLF is of the opinion that a casino operation in a smaller community may not be cost effective and poses a security risk in regards to the control of proceeds. If a charity in a smaller community wishes to establish a casino, the MLF will conduct a cost benefit analysis and will require the charity to underwrite the event if the profitability is questionable. The MLF will provide the staff and the equipment.

A separate casino account must be established by the organization(s) into which funds received from the MLF are deposited and from which all disbursements are made to approved charitable or religious objects. Funds must be disbursed within sixty days of receipt from the MLF, and thereafter an audited financial statement must be submitted to the MLF.

"Breakopens" — The production and distribution of "breakopen" tickets is managed by the MLF. Profits from these tickets go to the licensed organizations who sell them, and to the charitable objects which they support. Currently "breakopens" are sold in denominations of twenty-five cents, fifty-cents, and one dollar; a new two dollar ticket will be released early in 1988. In 1987, approximately 100 million "breakopens" were sold.

"Breakopens" are only sold in bingo halls or hotel bars. Payout for "breakopens" varies depending on the seller. If a bona fide charity sells them the profit is 25%. If a hotel bar sells them the profit is 7.5%. The Manitoba Gaming Fund receives 6% of the gross. The balance is paid out in prizes. The selling prize is based on cost plus 12%. Of all "breakopens" sold, 80% pass through bingo halls where they can be promoted by floor walkers. These floor walkers are not permitted in hotel bars. If a hotel patron wants a ticket, a request must be made of the bartender.

(iii) YUKON TERRITORY

The Yukon gambling scenario is unique as it falls under the *Criminal Code* of Canada and because of the operation of a permanent summer casino. Diamond Tooth Gerties Gambling Hall in Dawson City is the only permanent gambling facility in Canada operated on a continuous basis by one organization, the Klondike Visitors Association (KVA). It is also the only casino in Canada to provide a floor show and alcoholic beverages on the gambling floor. Generally, gambling in the Yukon is associated most closely with Diamond Tooth Gerties. However, it constitutes a small portion of total gambling expenditures in the Yukon (this includes all lotteries, e.g., Lotto 6/49).

All lotteries are administered under the *Lottery Licensing Act* which was proclaimed in September 1987. All groups interested in conducting a lottery scheme must apply to the Yukon Lottery Licensing Board. The thrust of the Yukon is to keep entrepreneurs out primarily because of the limited economic/population base (total population is 25,000 of which 18,000 reside in Whitehorse).

Types of Gaming Activity

Yukon licenses four gaming activities — casino, bingo, raffle, and sports pools, in addition to Diamond Tooth Gerties.

Diamond Tooth Gerties — In the interest of promoting Dawson City as a tourist area and re-enacting the heyday of the gold rush, Diamond Tooth Gerties was revived in 1972 as the legendary gambling hall which had been prominent during the gold rush. Its licence to operate was issued by the Yukon government under section 190 (1) (d) of the *Criminal Code*. In order to recreate authenticity, the entertainment and general ambiance reminiscent of the era was re-enacted. Diamond Tooth Gerties is somewhat of an institution in Yukon and is strongly associated with the entire Yukon Territory.

Diamond Tooth Gerties has been called the "sacred cow" of the Yukon because of the unproven assertion that it plays a vital role in tourism and employment in Dawson City. The relationship between Diamond Tooth Gerties and the Yukon is more obscure, in reality. Although it is considered a vital component of the tourist industry, its role is one of an ancillary attraction rather than a primary one. It complements Dawson City tourism rather than being the determinant of tourism.

It is unofficially estimated that most of the gambling revenue of Diamond Tooth Gerties is derived from the local residents and placer miners working in the region. The balance is from tourists in the area and perhaps other Yukon residents. It appears that tourists will visit the casino and enjoy the atmosphere but not gamble heavily. Although the operation does show a profit each year, the KVA often loses money overall. Although they have received some assistance from the Yukon government in the form of grants, Diamond Tooth Gerties has remained self-supporting.

Bingo — No organization can be licensed to run a bingo for more than 52 days in a year. The responsibility for the control of bingo events remains with the licensee regardless of what arrangements the licensee makes with the people who run the event. Liquor may not be sold or consumed while games are being played. Proceeds from bingo must be kept in a separate bank account and expended only on the purposes as set out in the licence. All financial transactions are audited and the licensee must submit financial statements.

Casino — Casinos are of a limited nature and excluding Diamond Tooth Gerties, are only run in Whitehorse. In the fiscal year 1986/87, casino players wagered 1.026 million dollars at Diamond Tooth Gerties. Approximately $400,000 was paid out and $626,000 held. This accounted for 95% of all casino gaming activity.

All casino events must be licensed and the rules of the games displayed. Responsibility for the event remains with the licensee and not with other people who may run the event. The "Bank" must be located in a separate room and the proceeds deposited to a separate bank account which is subject to audit by the Licensing Board. A financial report must be submitted to the Licensing Board within 30 days of the event.

Raffles — Raffle tickets must not be advertised nor sold outside of the Yukon; tickets may be sold to tourists visiting the region. The number of tickets sold must be recorded and their sale accounted for in financial statements submitted to the Licensing Board. Sports raffle pools must be licensed and must list scores and times, the number of squares printed, and the price per square, in addition to other information normally found on all raffle tickets.

4. OTHER JURISDICTIONS

A few examples of foreign casino gaming are discussed below. Casino gaming is carried on to one degree or another in well over 75 other jurisdictions world wide.

(I) Washington State

Geographically, Washington is the closest of any State to British Columbia. It is also the closest in what it allows or rejects in public gaming. The growth of public gaming, however, has been more gradual and has not demonstrated the exponential increases in bingo, casino and ticket lottery events which British Columbia has had to contend with.

The Washington State Gambling Commission was established in 1973. It consists of five members, appointed by the Governor and confirmed by the State Senate, for six year terms, staggered to provide an overlap. The Commission has a staff of 86 of which 34 are investigators, all with police backgrounds. Eleven are auditors, and the balance is comprised of management and clerical support staff. The purpose of the Commission is threefold:

(1) to prevent organized crime from becoming involved in legalized gambling;

(2) to prevent fraud and skimming for personal benefit; and,

(3) to act as an administrative judicial body to license, to enforce the law, to train local police, and to counsel licensees.

Essentially, there are three types of gaming licences available:

(1) Charitable or non-profit organizations can be licensed to raise funds through amusement games (eg: videos), bingo, social card rooms, Reno/casino nights, Punchboard pull-tab ("breakopen" tickets), sales & raffles;

(2) Commercial business establishments can be licensed for public card games, the manufacturing and distribution of gambling equipment and supplies, Punchboard/pull-tab retail sales, and special location amusement games; and,

(3) Individuals are licensed as bingo managers, public card room employees, and distributors' and manufacturers' representatives.

Officials state that the most effective way to deter organized crime has been to make a licence unattractive and unprofitable to the professional gambler. The Commission starts, therefore, with a very careful screening process of all applicants, owners, managers, employees, and ancillary personnel. In addition, application and report forms, rules of play, and procedural manuals supplied by the Commission must be used.

Types of Gaming Activity

Casinos — Only charitable and non-profit organizations are licensed to conduct casinos and all staff must be volunteers. No tips, honoraria or benefits of any kind are permitted, except to security staff who can be paid. The single bet limit is $10.00. Neither pull-tabs nor slot machines are permitted.

Organizations can have up to two casino licences each year. However, gross revenue cannot exceed $10,000 in a year (this produces a net of $8,000). Should the dollar limit exceed this amount, the balance must be given away, usually as prizes in a draw.

Three tourist areas in the State have been attempting to get legislation passed which would permit destination resort gaming. This lobby group feels that if British Columbia is successful, the State as a whole will suffer financial losses as residents travel north across the border to spend their gaming dollars.

Bingo — Prior to the formation of the Commission in 1973, entrepreneurs ran bingo halls for profit. While bingo is now played for charity, some of these entrepreneurs are still involved as licensed bingo managers. The primary concern of the Commission is now the competition for the bingo dollars caused by the expansion of unlicensed, unregulated games held on Indian Reserves.

Licensed charities can hold up to three bingo sessions per week on an annual licence. The limitation is the ceiling of 3.5 million dollars in gross receipts in the licensed year. Pull-tabs cannot be sold in bingo halls.

The Commission credits inspection procedures with keeping the game honest. All audits commence after the bingo session gets underway with an unannounced visit of the inspectors. Play is stopped while cash register tapes are checked against the cards being played. Play can then resume while the inspectors review the books and records.

Washington State has some interesting definitions for eligibility of organizations and members. As an example, an organization must have at least fifteen (15) bona fide active members and have made significant progress towards the accomplishment of its purpose during the twelve months prior to the application. A bona fide member must have belonged to the organization for at least one year, and must have NOT joined primarily ". . . to become or continue to be, a participant in, or an operator or manager of, any gambling activity or activities . . ."

Pull-tabs and Punchboards — Pull-tabs are sold throughout Washington by both non-profit organizations and commercial outlets. Called "Breakopens" in British Columbia, they are "Pickle Cards" in Nebraska, and "Ripoffs" in Michigan. Punchboards are also distributed throughout the State and with pull-tabs, outdistance other forms of public gaming.

(ii) Other U.S. Jurisdictions

The United States has a free enterprise system of casino gaming which is only sanctioned in two states and one protectorate. We have acquired some knowledge of what casino gambling is in the U.S.A. with respect to the organized crime, social disaster, compulsive gambler, potential embezzler-picture. Casino gaming in Nevada has greatly improved in recent years, largely as a result of the Nevada State Gaming Control Board regulations.

Over 50% of the State of Nevada budget is raised through fees and taxes on the gaming industry. This includes sports books, bingo (a minor activity), horse racing, pari-mutuals etc. Seventy per cent of the employed population of Nevada work in support of the gaming industry. The Nevada State Gaming Commission, the Nevada State Gaming Control Board and every spokesman we have met from the industry itself during our visit to Nevada state that casinos are no longer "mob" controlled, and that "organized crime" no longer owns, directs, buys, sells or "skims" casinos.

New Jersey and the much maligned Atlantic City experience is a little more difficult to assess. Nevada has been in business for about fifty years, New Jersey for about ten. Casinos in New Jersey are allowed only in Atlantic City itself, whereas they exist in every corner of Nevada. Atlantic City, which was once a proud resort, was a decayed, dying, socially disastrous small city when casino gaming was approved by referendum in 1978.

It is still a dying, socially disastrous small city, no more a proud tourist resort now than it was ten years ago. But 40,000 people are employed full time in the casino gaming and support industries. This is more than the population of Atlantic City itself, which has shrunk from a 48,000 pre-casino population to a current 38,000 full time residents.

The employment benefits have been to residential areas adjacent to Atlantic City. Almost nothing constructive has been done with the $500 million dollars in property taxes, luxury taxes and re-investment obligations contributed by the casinos since 1978. There are political, ideological and social problems affecting the Atlantic City experience which tend to obscure any examination of their history as a base for deciding on a wise course for any other jurisdiction.

(iii) Australia

Australia has embraced casino gaming as a state regulated and heavily taxed endeavour, tied closely to their national tourism efforts. They have eight large casinos around the country now with at least three more being constructed. Australia has declared slot machines illegal (i.e., old "reel" type pull handle machines), yet they are tolerated, depending on the state whim, in social clubs and even in some casinos.

Their legal definition of "slot machine", however, failed to include the new generation of video slot and poker devices, which, consequently, now proliferate. This is the most popular, fastest growing gambling apparatus world-wide and accounts for the majority of "slot machine" revenue, primarily in the 25 cent category.

Casino gaming in Australia, where gambling is an accepted fact of life, is expanding, and the state, federal or "provincial" role is completely acceptable. Australians, we are told, want gambling services extended to them and want this done through government intervention and supervision. Taxes range from 15% to 30% of profits and only an occasional subdued protest is heard from the private sector entrepreneurs concerning these taxation rates.

However, Australia has allowed a rather curious influx of foreign interests to dominate. As of mid 1986, casino operations in Australia were managed by a variety of companies from various countries. They included Genting Berhad (Malaysia) at the Perth and Adelaide casinos, Federal Pacific (Australia) at the Hobart and Launceston casinos, Sheraton (USA) at the Surfers' Paradise casino and Aspinall (UK) and Sands (USA) at the Darwin and Alice Springs casinos.

Harrah's (USA) was initially selected in June of 1986 to manage the Sydney casino, but the government withdrew their selection two months later and re-opened the search for an operator. Most casinos are owned by private sector consortiums involving some Australian corporations. However, there is a growing dissatisfaction with foreign ownership, with many wanting more operational control in the hands of their countrymen.

(iv) Great Britain

In Great Britain there is a contrast. Casinos are allowed but as "private" gaming clubs; private in the sense that you must be a member to participate but there are no membership restrictions. There are 120 of these clubs with approximately 25 in London. Anyone can belong although in some London clubs there is a fee charged and this can discriminate. You must wait 48 hours after applying to join, a time frame contemplated to discourage the impulsive gambler. Table games predominate and current rules allow only 2 slot machines on each premise, the bet maximized at 20 pence, and the top prize set at 150 pounds. Current lobbying may bring about permission for 6 slot machines at each club, possibly even 12 at some larger London establishments.

The British establishment seems to consider casino gaming to be an unfortunate and unsavory predilection, doomed to "American style, organized crime" infiltration, to be tolerated but not encouraged. Clubs nonetheless are well patronized, growing and pressing hard for social acceptance as well as relaxed rules. They are up against a very powerful, autocratic Public Gaming Board with sweeping regulatory entitlements as well as equally influential local licensing authorities. No credit is allowed, although limited cheque cashing is permitted. Tips and advertising are prohibited , and hours of operation are from 6 p.m. to 4 a.m.

(v) Belgium

Belgium is also an interesting contrast. Casinos are there in some numbers, quite well furnished and run, adequately patronized and *completely illegal*. The Ministry of Finance has personnel stationed at each casino who physically collect state taxes from each winning pot/bet and ensure revenues to the house.

The Ministry of Justice, on the other hand, does not acknowledge the existence of these illegal casinos, and, we are told, will not correspond about or react to any initiatives. Hence, there are no slot machines, permission for which has been sought but ignored. Tipping of employees is not only expected, but demanded.

(vi) Germany and Austria

Germany and Austria have been in the game off and on, depending upon political regimes, for many years. Control is decentralized to the states. Local resident gambling is largely prohibited which results in patrons driving to the next jurisdiction. They are socially conscious and casinos will honour a spousal request to refuse admittance, even a self imposed pre-gambling request to limit betting. Most casinos are luxurious and are first class in terms of service, ambiance, dress code, etc.

Slot machines are only permitted in separate rooms, sometimes completely separate buildings, i.e., slot parlours. There is no credit and gaming debts are non-enforceable in law but considered a matter of honour. Casinos have long term employees with little turnover and seniority benefits. Full tipping is encouraged as a primary source of employee income. Casinos are expected and even directed to contribute to good causes within their communities.

(vii) Holland

In Holland, slot machines are a major part of casino operations. There are 80,000 to 90,000 machines distributed throughout an area about the size of Nevada. They are meticulously inspected mechanically prior to installation and as required following installation by a nationally funded institute as well as visually by seven field inspectors. Other casino games are available but slot machines appear to be most popular and are enthusiastically patronized in restaurants, bars, shopping malls as well as gaming establishments.

(viii) France

In France, cásino gaming has languished notwithstanding some wealthy resort establishment popularity. We are told that a renaissance is under way and that widespread casino gaming that is totally regulated and heavily taxed by central government is emerging.

(ix) Monaco

Monaco, of course, is world famous for its luxurious and expensive gaming establishments catering to the super rich and specializing in no limit table games such as Roulette, Baccarat and Chemin de Fer.

5. CONCLUSION

When comparing British Columbia to other international jurisdictions, it is important to be cognizant of the intervening variables operating in each of the respective gaming environments. The specific gaming events may be examined on their own merits; however, comparisons may only be attempted when the extraneous variables are controlled. In some jurisdictions, this is not a viable exercise because they are so different.

When comparing British Columbia with other Canadian jurisdictions, the analysis can be achieved with greater validity and reliability due to the commonalty of the controlling statute — the *Criminal Code*. Although the Alberta model is being closely examined, there are divergent attributes of Manitoba, Yukon, and other gaming jurisdictions which offer equally salient options. No one model is more suited than the other; they are products of their own environments.

The British Columbia gaming jurisdiction will mirror some models in their entirety, copy characteristics of other models, and develop new models commensurate with the demands of this Province. The heterogeneity of the neighbouring gaming jurisdictions will complement the gaming industry by accommodating the equally divergent demand on the one hand, and maintaining a continuity of the process on the other.

CHAPTER V

CASINO GAMING

1. INTRODUCTION

Casino gaming means different things to different people. There are about as many casino "models" around the world as there are gambling games to be played. There are four major casino models in four jurisdictions in Canada. Each of these are operated and regulated in their own unique fashion. Some of the differences are highlighted in this chapter.

The Commission has only had a limited opportunity to visit and observe casinos. However, there is a surprising amount of literature available about this form of gaming and an abundance of knowledgeable people with whom we were able to have discussions. Many people have an insatiable interest in casino gaming. As well, there is a predictable polarization of opinion within the Province. Presumably, with such apparent interest and prevailing strong opinions it would be a simple matter to draw some useful conclusions and viable options. This is not so. One of the main reasons for this is that there is a variety of perceptions as to what casino gaming is, and what a casino is.

2. CASINO GAMING AND SLOT MACHINES

For the majority of those British Columbians interested in gaming, a casino means two things; first and foremost slot machines, with the game of twenty-one or blackjack and roulette second. This is primarily because of our proximity to the gambling centres of Nevada. It is also due to a lack of familiarity with other types of casino gaming, particularly that which takes place in European countries including Great Britain.

Within B.C., the practice of misleading advertising contributes to the perception of "Nevada-style" casino gaming. This advertising uses terminology such as "Reno" and "Las Vegas" style gambling" to attract prospective players, and leaves many people with the false impression that casinos in B.C. are equipped with slot machines and table games just as those found in Nevada are.

The *Criminal Code* of Canada requires that there be no slot machines allowed anywhere in Canada within charity gaming locations. Government steamships and ferries on each coast fall outside charity parameters. The preliminary view of the Commission is that this is the way it should be at present and that whatever else our charity casinos may evolve into in the future, they should be slot-machine free. One only has to observe a large Nevada casino, occupied by hundreds of patrons mindlessly playing slot machines, to come to negative conclusions about this type of casino in British Columbia. Apart from the B.C. Steamship experiment aimed at patronage by U.S. visitors, this type of casino does not exist in B.C. The Commission is of the opinion that this should remain as it stands at present.

The experiment of slot machines by the B.C. Steamship Company is discussed in Chapter XVI of this report. The Commission is supportive of this slot machine trial and sees no reason why it should not be continued, even expanded, but in a *time limited environment.* Patrons are aboard for a scheduled period of time beyond which they have no opportunity to continue slot machine play. On land, especially in premises open for long periods of time (in the U.S.A., 24 hours per day), the addictive nature of the practice becomes, we believe, a problem for some patrons and one we should accept a responsibility to do something about.

If the absence of slot machines in charity casinos continues to be the course of the future, certain realities must go with it. First of all, citizens who like slot machine gaming will not be accommodated in B.C., and those who attend casino events because of table games will. It is debatable as to which type of game is more or less desirable than the other. As well, significant gaming revenues, whether they be for charity or government funding purposes, will be lost and a taxation opportunity disappears. In Nevada $29 million per year are remitted to the state as a result of taxes paid on profits from slot machines. With a population of less than one million this constitutes vital revenue.

In a study recently published by Gaming and Wagering Business magazine, a respected trade journal, it was revealed that in casinos across the United States (i.e., Nevada, New Jersey and the protectorate of Puerto Rico) operators retained after pay outs $5.74 billion in 1986. Of this revenue, $2.59 billion came from table games while the remaining $3.15 billion came from slot machines.

Any discussion about charity casino gaming in B.C. must take into consideration that comparisons with other jurisdictions are subject to this major difference, and that input by the public both for and against casinos must be cautiously examined, as a high percentage of this input is from individuals that perceive casino gambling to include the operation of slot machines.

With the above considerations in mind, and after examining other jursidictions around the world in the previous chapter entitled "Gaming Experiences in Other Jurisdictions," we believe it would be useful to report on the current situation in B.C.

3. EVOLUTION OF CASINO GAMING IN B.C.

Prior to the establishment of the B.C. Gaming Commission, casino gaming for charity fund raising purposes in this Province grew rapidly in an unorganized, inadequately controlled fashion. Such aspects as hours of operation, betting limits, numbers and locations of casinos, operator bona-fides, etc., were continually changing and were the subject of disputes, concerns and capricious regulatory decisions along the way.

The various phases of growth in the gaming industry in B.C. are discussed chronologically in Chapter III entitled "History of Gaming in B.C." During this unsettled period a number of unfortunate attitudes and activities evolved. Some charities came to regard casino gaming as the new, glamourous and preferred way to raise funds over the slightly more traditional methods of bingo and ticket lotteries. Consequently they sought casino gaming licences in ever-increasing numbers.

At the same time, casino management companies, some of them legitimate, profit oriented private enterprises as well as others that were "fly by night" and opportunistic, sprang up with inflated expectations about the future of casino gaming in B.C. In some locations casinos were established where they clearly could not prosper due to lack of patrons.

These companies began recruiting and in some circumstances even creating charities as licensee customers in order that their casino premises could be kept open the full allowable six days per week; (Tuesdays formerly being, for reasons having to do with maximum patron availability, the one day of rest). Competition for charities became intense and the larger the company was, the more likelihood there was of signing on the charity as a customer.

For the most part casino facilities were sub-standard. They were often operated by amateur, sometimes unethical opportunists. A few of these were emigrants from Alberta and Manitoba where highly regulated systems were in place. These operators, as well as most of their clientele, did not care about the charity involved in the gaming event.

This situation needed to be stabilized. The Branch found it necessary to establish a draw within the Greater Vancouver Region (GVR) once a week to ensure that no more than 12 charity casino licences were granted for that period of time. Since each licence was only in effect for up to 3 days at a time, casino management companies, on behalf of their charity clients, would routinely seek to have as many one day licence applications as possible in the weekly draw. If successful, they would then arbitrarily designate which licensees would play at what location. At the same time they would apply to have the one day licence increased to three (provided for in policy), in an effort to ensure that all of their locations stayed open for as many nights of the week as could possibly be arranged. The hours of operation were 6 per day between 6 p.m. to 2 a.m.

In an attempt to produce a period of stability within which the newly created Commission could study and report, it was decided to couple the notice of the Commission's appointment with some regulatory announcements. (See News Release Appendix "A"). These were the return of the betting limit to $5.00, the "freeze" on any "new" charity involvement and the "freeze" on any "new" casino location. Some of this has since been revised by the Commission and will be discussed later in this chapter.

Historically the betting limit has seen a great deal of fluctuation over the years originally being set at $2.00 and then raised to $5.00 in the Fall of 1984. In June of 1986 they were again reduced to $2.00 in an effort to slow down the growth in the gaming industry. As mentioned in the previous paragraph the betting limit was raised to $5.00 in May of 1987 where it currently remains.

Since April 1, 1987 this period of relative stability has provided us with the climate for a thoughtful review of casino gaming in the Province. It has also had a number of other effects, most of which have been positive. For instance, we believe that charities and other non-profit organizations have been forced to slow

down in their rush towards casino gaming as the long awaited fund raising panacea. Certainly those "frozen out" have had to look elsewhere and even those "frozen in" are now aware of the uncertainties of casino gaming and its future.

Another positive effect has been the consolidation that has taken place within the industry itself. Along with this, some re-organization and a noticeable effort toward upgrading facilities and improving the competence of casino personnel has been observed. There are fewer management companies in business, with a further reduction anticipated. Employees are now being trained as professionals, albeit with a speculative eye to an enlarged future for casino gaming in B.C. In short, the casino industry seems now to be:

(a) responding positively to increased, consistent, fair direction;

(b) determined to improve its image and gain acceptance as a legitimate private sector business;

(c) moving toward self regulation, even self discipline, as proof of good corporate citizenship.

There is a long way to go but the Commission has found reason to believe that the future will be positive for casino gaming.

4. THE FUTURE OF CASINO GAMING IN B.C.

(i) Alternative Models

The Commission sees a definite need for changes in the operation and concept of casinos in this Province. We would first invite the government to consider the Manitoba experience as a possible future approach — not necessarily with full government ownership. It might be equally viable to contract operations out to the private sector. We have a legal opinion that this is not precluded under the right circumstances, with careful attention paid to the specifics of any arrangement that would see a casino management company acting as an agent for the government, or providing this government "service" for a fee.

We have no reason to believe that the general public here would be any less receptive to a large centrally located casino than they seem to be in Manitoba. We also believe that they would not react negatively to complete government ownership and/or control. We have heard arguments about leaving a buffer, some distance, between government and the actual operation of casino gaming in order to protect and insulate against those who might describe such participation as "wicked" and "unworthy". We believe these arguments are somewhat shallow considering the legitimate role of the government in its other lottery activities. Furthermore, concern tends to emerge and flourish briefly at the commencement of any such undertaking, then quickly die. The B.C. Steamship slot machine experiment is a good example of this.

(ii) Government Relations

Strong government regulation and control can and does keep reasonably sized casino gaming honest and will preclude criminal influence. Government ownership will do even more while allowing for complete autonomy in policy formulation, the setting of terms and conditions of operation, the tailoring of casino gaming activities to mesh with, enhance and support other government initiatives such as economic diversity, employment opportunities, regional disparity concerns and the like. In our view, the Manitoba model has been far more positive than negative, and we can see nothing wrong with this as a worthwhile *"future"* alternative. We use the word *"future"* advisedly since we believe a slower, more prudent, deliberate course is the preferable choice.

The Commission has studied the situation prevailing here very carefully, bringing to bear our now considerable knowledge of casino gaming in other jurisdictions world wide. We have already taken some steps in the area of licensing, hours of operation and standards of premises.

Casino management companies have hitherto been completely free of any but the most basic municipal licensing requirements. All such companies must now apply for an operating licence. At this point we examine thoroughly all aspects of their operation with the support of the Branch. These procedures are discussed in more detail in Chapter XI entitled "Licensing, Registering and Bonding." We will arbitrarily cancel and/or refuse licences where a demographic or economic analysis indicates that a casino will fail, or that casino numbers should be limited. Other important bona fides will be scrutinized. Criminal records,

history of operation, commitment to competence, fairness, patron friendliness and ambiance will all be considered.

(iii) Charity Access and the "Freeze"

We believe all charities and non profit groups should be closely examined as to their eligibility and their budget requirements. This is a major undertaking which will also involve ticket lotteries and bingo. Chapter XIV of this report entitled "Equitable Access to Charity Gaming" discusses this process in more depth. Upon completion of this process all remaining charities and non profit organizations will have equal opportunity to obtain their appropriate share of casino gaming revenue.

As necessary as it was, the April 1,1987 "freeze", acts unfairly against those who were not active in 1986 or the first three months of 1987. The "freeze" will be lifted as we are satisfied that adequate inspection, enforcement and audit procedures are in place. The Public Gaming Branch has assured us that adequate staffing will be available to carry out these functions as soon as the Treasury Board submission requesting additional personnel has been approved.

On the other hand, the "freeze" on casino locations has been quite beneficial and has resulted in consolidation as well as the upgrading of premises. For instance, we have seen one company close down two second-rate facilities and with our authority move those operations to one first class site. We intend to continue the pressures that have brought this about. We are certain that these pressures, along with our new licensing requirements, will have a positive effect on the calibre, quality and general atmosphere surrounding casino gaming throughout B.C.

(iv) Hours of Operation and Betting Levels

We believe that those who have invested in the industry and their employees deserve status, reasonable investment returns, career opportunities and wages sufficient to permit a decent standard of living. It may well mean that increased hours of operation will be required to allow for all of this to occur, and that betting levels will at some future date need to be raised. Straight 6 p.m. to 2 a.m. hours mitigate against shift workers and others whose lives are less regulated.

As we have seen no evidence indicating the need for 24 hour service, we have no future plans for this. However, we do see flexibility as being appropriate. The current $5.00 betting limit is seen as realistic and acceptable. However, roulette is played at almost every casino event. In this game it is possible and popular for players to make numerous $5.00 bets — twenty or more is not uncommon — on every turn of the wheel. Consequently the minimum betting limit in roulette has little or no effect.

In Manitoba the current betting limit is $200. Most other jurisdictions also have higher limits and do not consider them to be a problem. Studies show that regardless of where the limit is set most players bet at the lower end of the scale and only the high roller or steady occupational gambler moves to the top. We have recognized the existence of the compulsive gambler and although this negative element cannot be eliminated, it can be deterred by restricting the betting level, limiting the hours of operation and denying the extension of credit. The unavailability of alcohol will also act as a deterrent for some.

Higher limits increase the amount of money in circulation, which in turn increases the need for security and control. Sophisticated organized criminals who find todays modest casino cash flow unattractive could become interested if limits are moved up. However, as control measures are available, experiences in other jurisdictions have indicated to us that eventual higher betting limits should not present us with insurmountable problems.

While concluding that those private sector casino management companies who have substantially invested deserve to get a fair return, the Commission has also developed an interest into how fair is fair. We routinely examine monthly reports showing cash disbursement and are contemplating means by which we can maximize charity benefits without unduly interfering in the free enterprise activities of those who service the charity fund raisers. It may be that a pool for clearly excess profits should be created with the benefits going to the most deserving and underfunded organizations.

(v) Liquor

Liquor is not served in B.C. casinos at present, although several casinos are located in hotels next door to bars and lounges. Neither operators nor patrons seem to be very concerned about the current

arrangement and most we spoke with seemed either indifferent to or in favour of no liquor sales. We are inclined to leave this area alone as it constitutes no problem at this time.

(vi) Gratuities

Employee tipping is allowed with the proceeds pooled and shared among the dealers and floor workers at the end of shifts. In Manitoba and Great Britain tipping is strictly prohibited. At the moment, in B.C., casino employees are not well paid as their employment assignments can be irregular since there are many "dark nights" i.e., no casino licences for certain periods of time. However, this is usually more of a problem in rural as opposed to urban areas. Employee tipping helps to bridge the gaps in these instances.

Some people view tipping as unwise since it might enable dealers to find ways to reward those patrons who are generous. It is also considered by many to be a subsidization allowing the employer to justify minimum wages. A professional dealer should receive a professional wage and will feel better about his or her vocation as a consequence. There is also the view that no tipping results in a larger drop and therefore a greater win and increased revenue to the charity, the operator and the government. However, tipping is a fact of life in almost all hospitality and entertainment industries and is difficult to regulate against. We will continue to monitor this area and move to correct any discovered abuse.

(vii) Advertising

Advertising has received our attention as well as all other types of pre-event promotion. Chapter XV of this report deals with this subject in more depth. With particular reference to casinos the Commission believes some changes may be necessary and that we should place some advertising directives in our Terms and Conditions. Since casino gaming is done only in the name of charity, we believe that this fact should be stressed in newspaper advertising and that these advertisements should very clearly identify both the name and objectives of the charity or non-profit organization.

We have received requests, mostly from marginal operators, to allow advertising and promotional costs to be deducted from the casino gross prior to the 50-40-10 split. This is to arrange for the sharing of pre-event costs between the charity, the operator and the government, on the grounds that all three will benefit from larger turnouts and larger "drops" (total sum of monies bet). We have resisted these suggestions to date since most have come from casinos which will never be economically viable regardless of the split as they simply do not have the customer base to succeed. We will keep abreast of this and may make changes in due course.

(viii) Charity Involvement

The question of participation by charity volunteers in the operation of casino events is a subject which has occupied much of our time. As long as there is a requirement for charity personnel to be present, then we must explore what their role, responsibility and authority should be. In our existing system we belive this requirement to be mandatory.

The fundamental question is, should we expect charities to be constructively involved in casino fund raising in a "hands on" manner, or should we leave that to the professional operators and just ensure that the proper revenue split takes place? We face this dilemma with respect to bingo and ticket lottery licences as well.

In addressing this matter we recognized that fairly elaborate accounting is necessary concerning any licenced gambling event. Very few charity workers have an appreciation for these requirements and are unlikely to learn these procedures in the course of volunteer assignments once or twice a year. However, the many forms and papers which need to be completed exist for a very good purpose.

The operator of one casino feels that our requirements are much too stringent, as the introduction of these accounting documents resulted in the reporting of about 90% more revenue than was previously recorded.

In reviewing our options we considered the following:

1. full charity involvement up to and including ownership/operation;
2. government operation/ownership;
3. commercial ownership/operation with on site government supervision;
4. commercial operation with charity supervision.

The Commission has decided that for the present we should adopt option number 4 bearing in mind that this includes government regulation and inspection by the Branch.

We believe that the commercial casino management companies now in business can service the needs of the charities. To ensure the Commission that the charities are protected, aside from enforcement of the Terms and Conditions by the Branch, independent, qualified representation at every casino event is required.

We intend to register a cadre of certified charity advisors who will act on behalf of the charities at a casino event. They will be free-lance, well paid professional experts in such matters as chips and cash flow/ control, banking procedures and "end of the event" accounting, etc. These advisors will also report to the charity licensee, NOT the casino management company. This evolution is underway and a little overdue. The training and certification of charity advisors is outlined in this report in the chapter entitled "Training".

(ix) Extension of Credit

The extension of credit and the provision of cheque cashing facilities at casino events in B.C. has been considered. At the moment neither practice is officially sanctioned but we are aware that both occur. Elsewhere the situation varies. In the U.S.A., major casinos could not operate without credit and cheque cashing services and they find very little wrong with either. These are high limit establishments who suggested that we need not move in the same direction unless our own casino models approach theirs in terms of limit and size.

In Nevada players wishing credit must submit their name, financial status and other background information for a routine credit check. They are then allowed a "draw" from the house, if necessary during the course of play, by signing markers (cheques). They may redeem these during play or at the end of a session. These markers can be held for weeks or months. Very few ever renege since they would be forever black-listed within the tightly knit gambling community and barred from all future action.

In New Jersey the same credit granting facilities operate but markers signed during the course of play are not redeemable and must be fully processed, usually within days. This system is patterned after that of the British where cheques are accepted in casinos on the understanding they will be presented at the banks for payment in 48 hours. They may not be redeemed.

The Commission believes that credit or cheque cashing privileges at casino gaming events is unnecessary in our current charity gaming structure. With 24 hour banking machines and credit card cash dispensers increasingly available, another source of cash seems irrelevant. It must be pointed out that when a bad debt or "bounced" cheque is written off in commercial casinos, it constitutes a business expense and can be actuarilly taken account of. Within B.C., however, it is primarily a loss to the charity as the largest recipient of profits, and we consider this distinction to be important.

(x) Gaming Industry Integrity

We have given some thought to what might be termed the social, community and corporate citizenship responsibilities of casino management company personnel as well as those of the charity advisors. We do not accept the premise that the source of money wagered in casinos is irrelevant and "nobody's business" other than that of the patron. Outside of Canada there have been notable incidents of indifference by casinos to the heavy gambling losses of patrons, who , lacking legitimate access to large sums, were probably taking advantage of positions of financial trust. We believe it irresponsible to turn a blind eye to this and do nothing about it.

Another concern deserving attention is the obvious laundering of money through casino gaming. One example of how this takes place is by the purchasing of large quantities of chips with numerous small bills and then exchanging them for "clean" larger bills under suspicious conditions. As a result, this process imposes certain responsibilities on casino operators.

Presently in the U.S. casinos must make available to the Internal Revenue Service the names, addresses and social security numbers of their "high rollers", players who bet a total of over $10,000 cash or $2,500 on credit during a 24 hour period. (Nevada Public Affairs Review, Volume #2, 1986). This does not occur solely for the purpose of facilitating taxation, it also acts as a mechanism for oversight by enforcement officials into possible criminal activity.

Given the size of our casinos and our betting limits for the near future, we believe that we do not need to be overly concerned in this area. However, we do feel that now, while casino gaming remains relatively new

and small, is a good time to instill certain principles of corporate ciizenship into the minds of casino operators. The Commission believes that they should embrace this responsibility if they truly do seek recognition of casino gaming as a respectable, legitimate, accountable industry.

5. CONCLUSION

The Commission has long range plans with respect to improving policy and regulations in casino gaming. However, we are still in the process of studying experiences elsewhere and options available for the future. More work remains to be done before useful policy and regulations can be proposed.

In the meantime we believe that several changes are both desirable and necessary. We are therefore planning to implement a phased-in model, the details of which are found immediately following this conclusion under the heading,"The Model". The important features of this model are listed below.

PROVINCE-WIDE APPLICATION

- — No immediate growth in casino locations.
- — No increase in betting limits or hours of operation at this time.
- — Equal access by ALL qualified charities to SOME casino gaming fund raising opportunities.
- — New eligibility requirements for charity applicants which will include the necessity to provide a proposed budget.
- — New, improved audit procedures by the Branch to ensure that funds raised by casino gaming are spent as proposed in the budget.
- — Revocation or suspension of licences as a penalty for impropriety.
- — Stabilization of the casino industry allowing appropriate corporate planning, consistent employment and fair wages to casino management company personnel.
- — Increased charity access to casino gaming revenue.
- — Charity casino gaming ONLY, i.e., no private sector or government casino experimentation in any major urban area, for some time during which we can:
  - (a) assess the effects of our recommended changes and;
  - (b) ensure the development of adequate inspection and regulatory standards including additional personnel.

GREATER VANCOUVER REGION — ONLY

- — Elimination of the GVR charity gaming licence draw.
- — Allotment of casino gaming opportunities in the GVR from an initially randomly generated list of licensed charities.
- — Distribution of GVR casino gaming events in such a way as to ensure fair survival prospects to the currently approved casino premises run by the six currently operating management companies .

THE MODEL

The important features of the casino model as outlined have some critical dates associated with them. This model is complex in its implementation but it is crucial to alleviate the problems which exist in the GVR and potentially in other communities in the Province.

Phase 1

On January 1, 1988 the following conditions will apply to the charitable casino gaming industry and the licensees:

(a) There will be no increase in the number of casino locations apart from the upgrading and consolidation exceptions previously referred to, i.e., NO GROWTH for a period of time during which the Commission can further study the need, the market and the public mood;

(b) *Applications will now be accepted* for NEW charitable gaming opportunities for those charities who were affected by the freeze;

(c) Notification will be given to ALL NEW CHARITY GAMING APPLICANTS that they will be required to provide a detailed budget outlining the amount of money they need, the purpose of their request, and other sources of revenue they receive;

(d) Notification will also be provided to ALL charities and the casino gaming industry that by approximately April of 1988 the Commission intends to oversee a Branch audit process which will ensure that the budget supplied at the time of the application for licensing has been adhered to. The cancellation of future fund raising privileges will be a possible penalty for mismanagement of these charitable monies.

Phase 2

On February 1, 1988 additional conditions will apply, they are as follows:

(a) Notification will be given to all CURRENTLY licensed charities that they will be required to provide a budget outlining the amount of money they require, the purposes of their request, and other sources of revenue they receive;

(b) All applicants for casino gaming licences will continue to specify which management company they intend to deal with and the location. IN THE CASE OF THE GVR ONLY, where there are more charity applicants than locations, they must list a second, third and fourth choice. This is necessary since the majority will quite naturally have selected as their preferred choice the largest and most efficient company at the time. This company cannot possibly service all charitable gaming events in an acceptable manner from their currently authorized premises;

(c) When ALL qualified, *previously unlicensed GVR charities* (whose applications were received prior to March 1, 1988) have had at least one opportunity for casino gaming fund raising, then, (in the GVR), we will go to one randomly generated list of all licensed charities, OLD and NEW. From that day forward licence holders will be awarded their casino gaming events in consecutive order. As soon as the charity has expended that particular licence, their name goes to the bottom of the list. New charity applicants, after March 1, 1988, will also come in at the bottom of the list;

(d) For areas *outside the GVR*, the charities who qualify under current Terms and Conditions PLUS the January 1, 1988 budget requirements will be licensed. This is to ensure consistent and fair fund raising opportunity. Depending upon growth, consecutive allocation of casino events within any given community outside the GVR may be necessary in the future;

(e) Notification will be given to charities and the gaming industry that the Commission will establish a system within which we will be able to assess all licence applicants as to their

- — charity bona-fides;
- — organizational integrity and reputation;
- — community acceptance;
- — true need;
- — comparative worth as opposed to competitors for charity dollars.

Explanation for Stabilization of the Industry

There are, at the moment, six (6) companies operating in the GVR from only seven (7), possibly eight (8) feasible locations, one company having three good sites. Consecutively taking applicants from the top of the list, placing them with their preferred service companies until those premises are full, then moving to the 2nd, 3rd and 4th choices, we would make it theoretically possible to fill all eight (8) sites with enough 8 hour events to keep each open seven (7) days a week. The week would be divided into 3 segments: Monday, Tuesday and Wednesday being one licence period, Thursday and Friday the second, and Saturday and Sunday the third. Revenues may or may not prove to be even but at least the periods would have been allotted as a consequence of random generation in the first place and should be viewed as fair and equitable. The bet limit will remain at $5.00 for the time being.

During the period, January 1, 1988 to January 1, 1989, these service companies would have ample time to demonstrate whether or not they intend to offer a first rate product in terms of location, service, competence, integrity etc. If they do not meet the requirements, we would see them being denied a licence. Some of these companies may wind up being bought out by the larger, more prosperous few, who are in business to stay and are capable of providing service, to Commission standards, in the future.

During this same year, the Commission will have had a chance to determine how big the market is, or should be, in the GVR and, if our studies reveal for instance, that twelve (12) good locations are reasonable, more could be offered out to those prepared for licensing examination. The converse of course is also possible and it may well be that reduction of companies and/or locations would result.

The arrangements set out above, we believe, are fairer than is the system in present use, but we could see an increase in casino gaming from 36 (formerly 12 - 3 day licences but currently 18 licences times 2 days per licence) at GVR locations to a maximum of 56 (8 locations times 7 days per week). The system will, we believe, control industry growth while increasing charity access substantially and equitably. It should provide a regularized income pattern for casino employees and a structure within which appropriate corporate planning can take place. We are assured by the Branch that by January 1, 1988 they will be able to inspect and regulate these events, if their increased staffing request is addressed postitively.

Outside the GVR there are communities where casinos have been established which cannot hope to survive. There are also communities with more casino space than is required, all of this related to supply and demand; there are simply not enough customers. We do not, as a Commission, intend to take any extraordinary measures aimed at regulating these situations and feel that the market will sort itself out. The removal of the freeze on charities will stabilize and in some cases be the salvation of the rural casino industry ensuring its continuation and creation of local employment. Service companies may fold, consolidate, merge, and that is a natural process with which we would only interfere if it were in the interests of charities to do so.

Charity casino fund raising is here to stay in B.C. and it will take time to address the many issues which have been raised in this chapter. The Commission is committed to working with the industry and all interested charities to ensure that changes come about with a minimum of disruption and a maximum of fairness.

CHAPTER VI

DESTINATION RESORT GAMING

1. INTRODUCTION

Casino gaming has a certain allure about it which will not go away. In many jurisdictions throughout the world, it has been encouraged into existence as a government fund raising device. In others it has been tolerated only in recognition of the fact that unregulated, untaxed and dishonest gaming would take place anyway in an underground fashion. Elsewhere, gaming is energetically promoted as a major tourist attraction where luxury resorts exist for that purpose only. There are pros and cons with all of these which need to be discussed and understood.

2. BACKGROUND

This area of the report is difficult to deal with for a number of reasons. First of all, the question of casino gaming at destination resorts is volatile and there is an evident polarization of opinion. Numerous individuals shared their concerns and views with the Commission concerning destination resort gaming and very few of these were neutral.

Secondly, there is a great deal of misinformation about the casino gaming industry, in this case with particular reference to destination resorts. Many people do not know the law or understand what can or cannot be done under those laws as they exist today. One common misconception is that private sector entrepreneurs, given some form of government encouragement, can simply build a hotel casino complex at resorts of their choosing and open the doors for business. This is a popularly accepted view of what is in store for B.C. and where the current examination of gaming is proceeding.

Finally, a mistrust of long range government intentions and of the role of the Commission itself in the carrying out of these intentions exists. It is apparent that a body of citizens feel that a secret decision to allow destination resort casino gaming has already been made by government. Further, it is felt that the Commission, which came into being at about the time the debate commenced, (and, consistent with the placing of slot machines on two B.C. Government passenger ships), is the instrument which will be used to ensure the proliferation of casino gaming, the spread of slot machines and the overall encouragement of more gambling activity by the citizens of B.C. for government, private sector or charity fund raising purposes.

Ideally, the issue of destination resort gaming needs to be discussed within a certain framework of knowledge about what is and is not possible, as well as what controls and regulatory mechanisms can be deployed. The Commission wishes to concentrate on this area in the months ahead and recognizes a need for experimentation and public input on such an important issue.

The Commission did not adopt a proactive approach to the destination resort gaming question at this time due to other more pressing priorities. However, we did not discourage those who wished to make submissions. Some of these were useful, some were inappropriate and most reflected a lack of knowledge about gaming laws. Along with this, our own travels and observations have provided us with some opinions which are dicussed in this chapter.

Support for destination resort gaming seems to be highest in those areas of the Province where tourism is a major feature of the local economy. However, even at some of these locations there were those who are opposed to this concept. There is active lobbying both for and against destination resort gaming, leading us to conclude that some direction should come from government as soon as possible to allow for a stable planning environment for all concerned.

3. FACTS AND FINDINGS

(i) Government Involvement

Tourist destination resort gaming, primarily in the form of casinos, can exist in B.C. in an honestly run, resort-enhancing manner that does not attract undesirable entrepreneurs. With a firm belief in this, the

Commission has examined the activities of other jurisdictions. The Nevada experience is to be avoided at all costs, and it will. No jurisdiction (i.e., Province, State, City or resort) should ever come to depend on gaming revenues for its existence as Nevada and, to some extent, Atlantic City, New Jersey have done. In Nevada, organized criminals and syndicates entered into casino gaming on the ground floor, established and controlled the industry. The State of Nevada has been trying to eradicate this image ever since. At Atlantic City, the safeguards which were put into place to prevent this from happening, left it possible for these same undesirable elements to "enter by the back door" and come to dominate not the gaming casinos themselves but the necessary support services.

British Columbia can learn from both of these experiences. The Commission has done so by reading the many books, reports and findings of other Commissions, and by visiting some of these areas for discussions with officials concerned. It is clear that government control, regulation, inspection, even ownership are the keys to minimizing negative social and economic consequences. Private ownership of destination resort gaming casinos would be ill advised and dangerous.

Regardless of whether or not monies raised by casino gaming go to charities or into government revenue, firm government control and even ownership can eliminate undesirable practices in the industry. These practices include the extension of credit other than cheque cashing, (which should only be made available in destination resort gaming), exorbitant betting limits, 24 hour "round the clock" operations, complimentary travel, accommodation and meals, etc. All of these are of primary importance to high stakes players interested only in gambling.

(ii) Canadian Experiences

The Commission has examined what might be called Canada's only licensed destination resort casino, located at Dawson City, Y.T., and found this examination informative. Equally helpful were visits to Alberta and Manitoba, where casinos are operated not at destination resorts, necessarily, but in the major cities of Edmonton, Calgary and Winnipeg. The Winnipeg casino, very "state of the art" in terms of security, good management practices and competent personnel, is a success from a financial perspective and seems to be well accepted within the community. Much can be learned from these other jurisdictions, which are described in more detail in Chapter IV of this report entitled "Gaming Experiences in other Jurisdictions".

In the Canadian casinos which the Commission has examined there are no slot machines. It is certain that a very different picture would emerge if we could study the Canadian patron's reaction to a full gambling menu as the popularity of such machines is unquestioned.

In briefings with the manager and staff of Diamond Tooth Gerties Casino, Dawson City, it was noted that tourists, particularly those travelling with families, are not very interested in gaming as an extra holiday undertaking. In Dawson City, (which in many respects is not a "destination" since most visitors are only passing through enroute to or from Alaska), the casino is more a place one visits to be entertained, not to gamble. It was indicated that those who go usually spend some money on gaming, but their expenditures are often minimal and take the form of a "fling" at the wheels (Crown and Anchor, etc.) rather than playing blackjack or roulette. Poker is played there as well, not against the house, but against fellow players who are for the most part local citizens. In a discussion paper prepared by the Government of Yukon, it was noted that annual revenue from the casino (approximately $626,000), raised for the sponsoring "charity" (Klondike Visitors Association) by gaming, is minimal.

(iii) Australian Experience

We have also researched tourist destination casinos in other countries, although we have only visited those in the U.S.A. where our interests were more general than specific. More is said elsewhere in this report on these undertakings but it is relevant to set out here some of what we have learned about the Australian model. We have reviewed lengthy reports and Commission of Inquiry findings for a quick surface outline. One set of articles from Australian Newsweek Magazine is attached as Appendix "F". This may not be the most exhaustive writing on the subject but in comparison with the aforementioned annual reports and Commission findings, we are reasonably satisfied with the accuracy and objectivity. A briefing from the Australian Trade Commissioner and discussions with individuals associated with gaming in Australia also provided reassurance as to most of what is in Appendix "F". The most important points, are highlighted:

1. The Australians moved into legalized casino gaming with strict government control and high taxation as an alternative to profligate illegal gambling;
2. Casinos, although privately financed and managed, are government controlled. At the Wrest Point Casino in Hobart, Tasmania (a tourist destination resort complex, Australia's first) only government agents count the "take". This is now the rule at all casinos, and there are currently eight (8) with more being built;
3. There are up to five government inspectors and usually one government casino controller permanently located in each establishment. There has not been one violation of legislative requirements resulting in penalties to the companies since inception in 1973. This assurance comes to us in a letter from Mr. Paul E. S. Horne, Commissioner for Gaming, Tasmanian Gaming Commission, dated July 15, 1987;
4. Casino gaming is an integral and extremely important component of the Australian tourism promotion effort. Their newest and biggest hotel/casino/golf course complex under construction is large, opulent and expensive. It will succeed only if it becomes a successful tourist draw.

It may be that Australia has taken the best features of private sector casino ownership, filtered out the worst, blended in strict government regulation and on-site control and inspection, and come up with the most attractive model yet for tourist destination resort casino gaming. Although their approach needs further study, it adds some support to the indication that destination resort casino gaming can be run profitably, without attendant problems of corruption and organized crime, providing it is carried out in first class surroundings in an area which has either a large local population base or the ability to draw large numbers of tourists. The key is government control.

(iv) Destination Resort Gaming Sites

We believe that there must be a large, interested body of prosperous, somewhat sophisticated, potential customers, whether they be tourists or local citizens, before significant gaming revenues can develop. A destination resort casino in a rural community with a minimal population base surrounding it is unlikely to be a financial success. It probably could only be justified on the basis of providing another recreational pursuit for the benefit of those tourists who might otherwise not find enough to do. We base this assumption partially on the experience in charity casino gaming, where casinos have failed because they were located in areas that did not provide an adequate "draw". In short, the population base simply could not support a casino. On the other hand, a well run, first class casino that is advertised as a tourist asset, would, we believe, be successful in a major population center. However, this does not take into account the question of local municipal approval or what quantity of gaming should be allowed. These issues are dealt with elsewhere in this report. We should point out that the Commission specifically discourages any experiment along these lines in major urban areas for some time, for reasons outlined in the chapter entitled "Casino Gaming". The Commission takes this position despite the fact that we have received several interesting proposals for major urban casino development, two of these on the Expo 86 site in downtown Vancouver, and a third at the Pacific National Exhibition grounds. These will require careful evaluation, taking into consideration the impact this might have on charity gaming and fund raising as well as any legal implications.

While we did not formally request submissions, the Commission has received some written and oral proposals from a variety of locations advocating destination resort casino experimental test sites. After an initial review, some of these submissions were found to be lacking in substance as a result of overstatement, misrepresentation, over-optimism, and a lack of knowledge about casino operations. It is now recognized that there is a need for a professionally conducted economic survey in any area where destination resort gaming is to be seriously considered.

Some proposals, however, showed potential. The concept behind these was to have a destination resort in an area where potential customers would be attracted by an activity unrelated to the casino itself. With a portion of their day free, these potential customers would become, in a sense, captives of the resort with time on their hands. Until such time as the Commission is authorized to facilitate and monitor one or more experimental resort casinos, we will not be able to act or advise definitively on this issue. Therefore, we raise the following for consideration.

A professionally conducted economic and demographic survey of locations in B.C. which we believe are suitable for test purposes should be undertaken. The Commission has received presentations from representatives of potential areas that indicated their desire to be considered as casino test sites. We are also aware of professionals from the U.S.A., who have experience in conducting the necessary surveys.

Through this process we would want to determine which rural sites have a combination of desirable features which would warrant an experimental casino model. The following features would be taken into consideration:

(a) large numbers of tourists, either seasonally or year round;

(b) local support and enthusiasm;

(c) existing infrastructure such as buildings, parking, sewage and water facilities;

(d) adequate fire, security and safety provisions as well as reasonable proximity to police services;

(e) access to a variety of transportation facilities;

(f) minimal existing charity gaming.

Of course, many details need to be worked out and a lot of our progress in this regard need not be included here. The Commission is prepared to oversee the commencement of planning, and advocates an early start.

The effect a move to destination resort gaming or a large casino operation might have on the tourist image of the Province has been discussed. The Commission is aware that tourism is the Province's second largest industry, and that it provides three billion dollars of direct economic activity to the Province annually. We are also aware that in 1986, fifty million dollars were spent to advertise the "clean, green and safe" image of B.C. The Commission intends to do a more thorough, long term analysis of the destination resort gaming concept in co-operation with the Ministry of Tourism, Recreation and Culture in conjunction with any experiments that might be undertaken.

4. CONCLUSION

The Commission believes that it is possible to have tourist destination resort gaming which, if honestly run, will enhance a resort and not attract undesirable entrepreneurs. The Commission should, subject to the results of the necessary economic and demographic surveys mentioned previously, facilitate and monitor two destination resort casino experiments of different characteristics, reporting appropriately thereafter.

CHAPTER VII

BINGO

1. INTRODUCTION

Bingo! The "untidy tiger" as one of our Commissioners has labelled it. An apt description! To most of us, bingo was regarded as a relatively sedate, low profile, recreational, church basement game, certainly not the gambling phenomenon and multi-million dollar industry it has become. This has not only occurred in B.C. but in Alberta, Saskatchewan, Manitoba, Ontario and to some extent, further East as well. It is also a major gaming industry in places such as Washington State, U.S.A. If you ask about bingo and its impact in Nevada, the reaction is apathetic to say the least. There bingo is a "nothing" enterprise, overshadowed by casino games of blackjack, roulette, craps, slot machines, sports books and curiously enough, the game of "Keno", a hybrid game somewhere between bingo and "Lotto Pick". (Native Indian bingo, however, as discussed later in this chapter, has captured the attention of Nevada regulators for reasons we will come to).

But, "Bingo" *is* very big in British Columbia and requires a serious examination by the Commission, the Branch and, we believe, by many others. During the fiscal year ending March 31, 1987, a total of $23,705,242 was raised for various charities in the Province from bingo gaming alone.

2. BINGO IN BRITISH COLUMBIA

Over the past years both the profile of the typical bingo player and the bingo establishments themselves have changed. The "church basement" game being played for stuffed animals has long since disappeared with grandiose halls and big payoffs taking over. It is a known fact that the runaway best night in bingo parlours across B.C. is the day that welfare cheques arrive. No one is coerced into playing bingo but other B.C. operators speak of their reliance on patron's UIC income for bingo revenue. This situation is not unique just to B.C., as Nevada officials in an analogous vein, indicated to the Commission how important old age pensioners and their social assistance cheques were to the success of casinos. In fact, some Nevada entrepreneurs actually send out buses to collect these senior citizen gamblers.

In B.C. bingo players spend, on an average, about $20 to $25 per session. Some of them win modest sums of money. However, too many of them sit for long periods of time, ensconsed in bingo parlours not really designed for healthy recreational activity. A few operators have invested the time and money to create better surroundings with air conditioning and no smoking areas. A bingo operator himself told us he is very concerned about a number of his patrons who are clearly addicted and who are spending money they can not afford.

But, although there are social concerns there are also employment implications with respect to the simple old game of bingo, formerly played with corn kernels on cardboard cards. Members of the Commission attended the official opening of a manufacturing plant in Richmond which does nothing but print the paper used by bingo parlours across B.C. There were 45 full time jobs created by this prospering, efficient, "state of the art" enterprise. Additional employment is generated by the manufacture, distribution and sale of bingo supplies as well as by the advertising and housing of bingo operations.

Under the Terms and Conditions presently in force, charities must benefit by 25% of revenues from bingo, and a maximum of $7,500 per event can be paid out in prizes which can amount to no more than 60% of the gross taken in. Out of the remaining 40% must come the 25% charity payout and the government fee of 1%, plus in the case of commercial bingo halls, their expenses, overhead, wages, etc. For licensees conducting their bingo events in self owned premises being utilized for charitable or religious purposes, some of these restrictions and percentages can be relaxed, a feature which the commercial hall owners object to for obvious reasons.

Some conditions are being violated daily and we as a Commission are not satisfied with this situation. These violations can only be detected and acted upon when energetic, consistent enforcement activity by the Branch becomes the order of the day. The Branch is a dedicated, over worked, experienced group of inspectors, but they can only be deployed within limits. Those limits have been reached long ago and we are encouraged with recent indications of a staff increase for the Branch. They need this increase and we

are quick to realize that without an improvement in this area, gaming in B.C. "bingo wise" and "otherwise" will not be controllable.

The Commission has decided that it is necessary to license all bingo hall operators. We believe they should have to prove their ability to run an honest, secure, fair business whether it be done commercially for profit or as a non-profit charity enterprise. Applicants will be examined by inspectors of the Branch with regard to their character, their financing, their expertise, their associates and anything else considered relevant including their facilities. They will pay a licensing fee. Hopefully only those who would bring respectability to the industry will gain approval so we can reach a high level of assurance that charities and patrons are being efficiently and honestly served.

An equally important feature of this exercise will be the opportunity it presents to the Commission for limiting growth in the commercial bingo business. There are too many premises operating at present and while it might be argued that this competition is good, forcing hall owners to give better deals to their charity clients, we have found the opposite to be true. Corners are being cut, rules bent and broken, terms and conditions ignored, and, this is occurring at a point in time when the Branch does not have sufficient inspection staff to address the problem. Some commercial hall owners have acted very arbitrarily; dictating terms and financial arrangements to the licensees, controlling and juggling access, evicting on short notice, etc. We now have a good idea who the worst offenders are, and they will be dealt with. Some have already. Others may not survive the licensing process.

The first losers, however, are the charities who wind up getting less than their 25% share. In many respects some bingo licensees are their own worst enemies, putting up with this on the questionable assumption that something is better than nothing. We have acted to prevent this abuse by seeing charity licences surrendered and allowing some halls to fold, but more remains to be done. There is a question of fairness for the legitimate operators, since there has been a significant investment undertaken by some and large debts incurred during a period when there has been a lack of scrutiny and control over a burdgeoning new industry. We are working at the bottom end of the scale and putting pressure on those whose operations are failing and who pay the least to their clients hoping that as some of these places close down, the patrons will move to other establishments causing revenues there to climb and the full charity percentage to become payable. There is a limited number of bingo dollars available in any given community, and we accept the responsibility of ensuring that no more than the appropriate number of bingo halls exist. This will occur through our licensing process and with the support of rigorous compliance efforts on the part of the Branch. This will not be accomplished without some energetic opposition and noise from those wounded in the process. However it must be done and is being done now before the problem grows larger.

3. CHARITABLE COMMUNITY ASSOCIATIONS

The Terms and Conditions provide for the creation of "Charitable Community Associations" (CCA) which will in turn permit association officials to manage and conduct all bingo occasions licensed to be played in any hall, and, optionally, to incorporate a pooling of receipts, expenses and charitable contributions. The rules governing all of this are clear and need not be set out here but we believe that these arrangements will go a long way towards insuring that individual charities are not victimized by hall owners and that a proper distribution of profits occurs. We are doing all we can to encourage the creation of these Associations and to ensure that the ones already formed are not being manipulated. We would find it unwise for hall owners to take a leadership role in the forming of an Association but to our surprise have found this happening. We hope to correct this.

4. AUTOMATED BINGO AND BREAK OPEN TICKETS

Automated bingo is the new wave. It has arrived in England, in the U.S.A., in other Canadian provinces and now in British Columbia. Patrons may be able to enter a bingo parlour, provide their coded "identifier" number, play the game for whatever period of time suits their purpose, punch out and settle their account - winnings credited, card costs debited. The British have found it necessary to restrict the "automatic pilot" feature of their automated bingo in order that customers have to at least push the buttons and participate. In

the view of the Gaming Board for Great Britain, the game was developing a "rapid nature" losing all interpersonal relationship value and consequently a new paragraph in their Code of Conduct reads:

"5. In all games of mechanized cash bingo it shall be the responsibility of the player to mark off or cover or otherwise physically monitor the numbers called and the onus shall be on the winning player to stop the game by calling loudly or pushing the stop buttons." (British Gaming Control Board Annual Report, 1986)

In B.C. this Commission has full responsibility for determining what types of bingo apparatus will be used at licensed charity events and therefore will be paying close attention to the evaluation of automated bingo and regulating accordingly.

We have already examined two bingo systems with electronic features both of which would add new and interesting dimensions to the playing of the game for charity fundraising purposes if introduced in B.C. One is the computerized console "cards" being developed by B.C. Lottery Corporation for, if marketing expectations prove out, international distribution. We are communicating with the Corporation regarding the testing of their product in selected commercial halls to determine the reaction of bingo patrons and to examine its technical merits in terms of durability, integrity, costs, etc. In this version the player is seated in front of a console which flashes images of bingo cards. The numbers are generated randomly by computer and the player either touches the appropriate section of the screen to record the "hit" or if additional features are eventually included the console can record this automatically without touching the screen. An additional feature has recently been made available by the B.C. Lottery Corporation which allows for activated numbered balls as described in the system below.

The other system we have had demonstrated to us is already in use in the U.S.A. and Saskatchewan and has proven to be quite successful. It consists of a lap top device which the player acquires as he or she enters the hall. At the same time the player selects and pays for a programme. Theoretically, this could range from a single card to as many as forty cards which are electronically "loaded" into the lap top device making it completely portable and independent from that point on. The bingo game is then conducted as usual with numbers being determined by activated balls and called out over a microphone system in the hall. The player key enters the "called" number into the lap top device, which automatically searches and credits all "hits" on all "cards". As a potentially winning "card" or "cards" approach completion, the device brings those "cards" forward allowing the player to visually observe progress. There are impressive accounting features built into this system which simplify auditing and control, add increased integrity to the game and make inspection and regulation by the Branch much simpler and effective.

The prohibition in section 190 (4) (c) of the *Criminal Code* concerning computerized lottery gaming has been overcome in Saskatchewan by the ruling that the computerization aspect of this latter technology does not change the nature of the game itself, therefore, licensing for charitable purposes is permissible. We will want to explore whether or not that same rationale can be adopted here, and, whether or not it can be applied with equal effect to the system being developed by the B.C. Lottery Corporation. If it cannot, as a consequence of section 190 of the *Criminal Code*, then it could only be operated by the government and not licensed out for charity fundraising, just the same as slot machines.

Aside from the above and leading to other interesting developments, it is now *technically* possible with the acquisition of available equipment to purchase a number of "cards", sit back and let the machine in your lap or at your console do the work for you. This, needless to say, opens up a time vacuum in which the bingo player can do other things. He or she can drink if permitted in that jurisdiction. (In B.C. bingo cannot be played in premises where alcoholic beverages are sold.) They can socialize, smoke, even read a magazine, or, and this is our next concern, engage in other forms of gambling such as "break open tickets".

These are those "instant win" or "instant lose" exercises where one buys a ticket or tickets, breaks it open and learns from symbols and messages one's prize fate. Twenty-five cents invested might make you a $50.00 winner. These ticket sales are popular elsewhere in Canada but the Commission has taken a reserved approach to their introduction here in B.C. in charity gaming outlets. The break open ticket regulations administered through the *Lottery Corporation Act* limit approved break open retailers to, among others, charitable organizations who have a licence for a bingo or casino and wish to sell break open tickets concurrent with those activities (above emphasis added). In other words the choice is theirs and there ought to be no coercion to do so.

Break open tickets are marketed by the B.C. Lottery Corporation, one of the most successful organizations of its kind anywhere in the world. Communities, charities and non-profit societies of all kinds

benefit from B.C. Lottery grants daily. That is why it exists. However, break open ticket sales on premises where other charity gaming activity is taking place can be counter-productive. Organizations which market "break open" tickets on behalf of the B.C. Lotteries Corporation retain 7-1/2% of sales, (which is not a bad commission in that business). Remember though, out of every dollar spent on bingo at a commercial bingo hall, the licensed charity gets or should get twenty-five cents. We are concerned about protecting charity revenues should the sale of break open tickets at bingo halls result in any significant drop in monies spent on bingo and we will be monitoring current test marketing closely.

5. ELECTRONICALLY CONNECTED BINGO PREMISES

The Commission is concerned about another aspect of bingo gaming (unique to the Greater Vancouver area) and this has to do with electronically "hooked up" premises. The Terms and Conditions state in section 3.03 that "all players at a bingo occasion will be seated in the same building or controlled outdoor area with the bingo caller, except as specifically authorized in the licence." There are good reasons for this condition and the exceptions should be rare. Unfortunately they are not.

The playing of bingo in one building facilitates a number of things including effective inspection and regulation by Branch personnel. One inspector can enter a bingo hall, go to the count room, where paper is distributed, monies collected, prizes paid out and records kept. There, in the presence of the games manager and assistants, all important regulatory controls can be overseen. Further, all players have an opportunity to watch a "called" bingo being confirmed by card sellers and neutral patrons, ensuring propriety. Actual payment of monies to prize winners is also witnessed by all of those present. The perception of an honest bingo can be verified by patrons, charity representatives and Branch personnel in a more satisfactory way when all activities occur at the same location.

A few years ago events took place which eroded the framework of this important and desirable control mechanism. One large bingo licensee was given authority to conduct extra weekly bingos with up to ten occasions per week. Their prize awards were allowed to exceed 60% and the proceeds to charity permitted at a level of approximately 18%. This situation was rationalized at the time on the basis of extraordinary need on the part of the licensee in the funding of numerous very worthwhile community and charitable commitments. Their bingo became and still is a very profitable and popular enterprise, primarily because of frequency and large prize awards.

Nearby competing bingos began to suffer as their patrons attended where the prizes were the highest, spending their bingo time and money at the electronically connected bingo premises.

To counter this unfair advantage, these neighboring bingos requested and received authorization to run bingos concurrently, out of electronically connected premises some distance apart. The game is "called" in one building and the "overflow" patrons are seated in another, completely separate premises. The "call" is then re-broadcast after being received over an electronic telephone connection. The verification of winning cards are heard but not seen by patrons who are seated in the separate buildings. To regulate this situation the Branch requires as many inspectors as there are premises.

This concept spread quickly, being adopted by others in Vancouver and at one time there were ten multi-premises electronically "hooked up" bingo arrangements in operation. After it became apparent that the situation was getting out of control, pressure from the Branch brought the number down to the seven that exist today.

The Commission intends to require increased regulation of these remaining "hook ups" and failing this we would insist that they cease operation. We are exploring possible ways to eliminate some of these problems such as ensuring that each hall has a closed circuit television, monitoring the card verification process on large screens. We are also familiar with the technology required to allow for the numbers to be flashed on screens in each hall as they are called, ensuring that patrons are not obliged to accept and rely upon information transmitted orally (as opposed to visually) over telephone lines.

We believe strict adherence to our Terms and Conditions is the only appropriate process with the understanding that exceptions can be allowed for unusual and specific reasons. This will take care of situations where the licensee must operate out of a building insufficient in size to accommodate all the patrons. The overflow might well be located next door in available premises and in these exceptional circumstances we believe this can be acceptable with the aforementioned electronic improvements. Among the other reasons we find this tolerable is the fact that such separation will facilitate the creation of true smoking and non smoking environments which is an increasing necessity.

The Commission is working towards eliminating all electronically connected bingo premises and do not intend to license any additional premises in the future. We will proceed with sensitivity in rectifying the current problems, fully aware of the many worthwhile activities being completely supported by bingo revenue from these electronically connected establishments, but also cognizant of the unfair advantage they have over smaller halls.

6. GAMING ON INDIAN RESERVATIONS

An issue which must be addressed is that of gaming on Indian Reservations, gaming, that is, in the broad sense which includes casinos, lotteries, bookmaking, etc. In the U.S.A. and Canada, it seems to be surfacing first as a bingo concern and it is probably in that area where we will have to make some difficult decisions. The Commission is content with the "status quo" and in fact issues licences to native Indian bands/groups for charity fund raising purposes. Some of these are considered to be the most worthy of all. But the playing field, in our judgement, has to be level.

In B.C. we have limits on prize boards. We have percentages we seek to ensure. We have Terms and Conditions that must be adhered to by every charity organization and any other entity, involved with bingo. It would be inappropriate to subject those groups other than natives to licensing and profit sharing protocols that do not apply equally to native Indians. This principle has been tested with the suggestion from some bands that provincial licensing constraints as well as federal *Criminal Code* restrictions really do not apply to their gaming scenarios. In the U.S.A., Nevada in particular, native Indian activities are subject to even greater federal government intervention than is the case here. Consequently, federal authorities only permit whatever gaming undertakings are sought by natives on the written understanding that state regulatory obligations will be adhered to. Courts throughout North America expect to see Indian gaming controversies on the lists in the years ahead.

7. CHARITY ADVISORS

Bingo gaming in B.C. needs attention in many respects. As with casinos, we cannot see how volunteers from local charities can be the front line of defence against potential corruption, theft, mismanagement and incompetence. We advocate and will soon begin registering bingo charity advisors just as we have outlined for casinos.

We would envision these individuals as private sector entrepreneurs in business for themselves, beholden to neither hall owners nor charities except in guaranteeing the charitable revenue. They will be expert in all facets of bingo gaming and working to ensure everything is done according to the Terms and Conditions. They could and should receive an attractive compensation package and be responsible for training all the charity personnel who are essential to the running of a successful bingo event. They should also provide information and advice to the Branch as required in the interests of honest, efficient, charity fund raising. These functionaries exist in other jurisdictions and are here in B.C. in a sub rosa capacity, paid "honoraria" by charity licensees or as "special event managers" by promoters. We are satisfied that some, although paid by the charities are actually there in the interests of the hall owner. We believe that this should be brought out of the shadows. The position of the charity advisor should be legitimized and recognized as an essential, necessary activity. Bingo is a business and it is here to stay. Therefore, practitioners other than players should be professionals and professionally trained.

8. ADVERTISING

The Commission intends to regulate advertising and bingo card prices. Inspectors of the Branch, charity representatives, hall owners and patrons have pointed to the abuses brought to the game by unregulated advertising and discounted bingo card prices. Large commercial halls can ensure more than their share of attendance at the expense of smaller competing halls by high pressure sales tactics that promise prizes which, in some cases, they are unable to deliver. They are limited to a $7,500 pay out over a 30 game session but they emphasize $1,000 game prizes, knowing full well that at some events the attendance will not support this and the prizes will be less. Some use deceptive advertising such as

strategically placed small print in ads to protect themselves and we find this unacceptable. In most localities all that is required is notice of where and when the bingo will take place and for what charity purpose. Anything else is superfluous, unfair to the smaller operators, and expensive. These expenses often are the reason why the 25% charity payout is not attained. Some hall owners dictate to the charities what this advertising will be, including the misleading and unacceptable guaranteed prizes. This advertising takes place in spite of the fact that the Terms and Conditions specify that bingo advertising is exclusively the prerogative of the licensee. They accomplish this by threatening expulsion, secure in the knowledge that other desperate charities are out there waiting for any kind of fund raising opportunity and more than anxious to come into the vacant slot. This will be stopped.

We intend to ensure that all bingo premises sell their cards for the same prices throughout B.C. Discounting only creates confusion and, as with advertising, works to the disadvantage of smaller operators.

9. CHARITABLE FUNDS RAISED

A few statistics will help understand the dimensions of this "untidy tiger" and point to some of the problems.

For the Fiscal Year Ending March 31, 1985:

Gross Bingo Revenues	$ 95,565,642	
Prize Payouts	61,639,839	(64.5%)
Charity Funds Raised	23,126,886	(24.2%)
Administrative Costs	10,798,917	(11.3%)

By the Spring of 1986 the statistics had changed:

For the Fiscal Year Ending March 31, 1986:

Gross Bingo Revenues	$ 91,985,171	
Prize Payouts	63,562,130	(69.1%)
Charity Funds Raised	13,613,780	(14.8%)
Administrative Costs	14,809,261	(16.1%)

Note that the net receipts to charity fell by 9½ million dollars, almost 10% of the year's proceeds. Small bingo operations in traditional locations were forced to close resulting in less bingo activity, yet prize payouts and expenses (mainly rents) increased noticeably.

For the Fiscal Year Ending March 31, 1987:

Gross Bingo Revenues	$112,347,121	
Prize Payouts	67,970,008	(60.5%)
Charity Funds Raised	23,705,242	(21.1%)
Administrative Costs	20,671,871	(18.4%)

The trends here of course are:

(a) a significant increase in the gross arising from more and bigger halls;

(b) a further escalation in administration costs, resulting from but not corresponding to the overall growth;

(c) a fairly healthy increase in the gross and percentage going to charities.

For the Month of October, 1987:

Gross Bingo Revenues	$ 11,152,208	
Prize Payouts	6,514,925	(58.42%)
Charity Funds Raised	2,870,923	(25.74%)
Administrative Costs	1,766,360	(15.84%)

The most recent statistics reflect the closest that the bingo split has come to the 60-25-15 formula with the charity receiving the desired amount. We are very pleased with this trend and will be working closely with the Branch to ensure that it continues.

10. PUBLIC INPUT

The Commission took out advertisements in all B.C. daily and weekly newspapers seeking input from the general public about the facets of gambling which fall within our mandate. A copy of the advertisement is included in Appendix "G". The response was almost overwhelming — so much so that the reading and correlating of opinions, the sifting of the ideas received in such a way as to ensure a balanced reflection of these within this report became a significant task.

A large percentage of what we obtained concerned itself specifically with bingo, again demonstrating just how big and how popular this activity is here in British Columbia. (And more so elsewhere; $112,000,000 spent here in the fiscal year 86/87, over $300,000,000 in Ontario.)

These bingo representations ranged from the short one line, pro or con individual citizen responses, all the way to elaborate organizational briefs setting out philisophical and practical positions and alternatives. Some were of exceptional quality and will receive more than a passing examination leading to discussions with authors and perhaps even their involvement in the formulation of future strategies. Some were quite obviously self-serving but even these were welcome as the strongly held opinions of individual citizens who at least cared enough to get involved. Apart from written submissions we have received oral briefs from numerous interested individuals and organizations. We have also had research consultants active in the field on a contract basis, collecting empirical information as support for our conclusions. In addition we have travelled extensively holding hearings wherever we thought these would be productive, and in the process have received many useful suggestions and criticisms of the current arrangements.

We could not begin to include here all the proposals and ideas received but it is possible to record some themes, or trends, and, general as opposed to specific, concerns which surfaced from the wealth of material amassed.

First, a deep uneasiness was documented about non profit recreational and cultural organizations having the same access to bingo raised funds as do the genuine helping charities involved in the field of health and social services. The former are seen as having too much access and the latter not enough.

A second recurring theme was the difficulty faced by charities who must involve their volunteer workers, or in some cases their paid staff, in fund raising as opposed to the program delivery which was in most instances the reason for participation with the charity in the first place. Again the problem is more acute in bingo since there is usually a weekly as opposed to a nine times yearly requirement in casino gaming. We have received strong thoughtful briefs advocating full charity involvement even to the exclusions of any activity by private sector people such as bingo hall owners. Some charity groups own their own premises and rent out space to others; the entire operation run by charity volunteers who are paid only honoraria, if they are paid at all. The exact opposite was also advocated by many submissions, i.e., complete private sector management by paid professionals with no charity presence and the distribution of funds looked after by government appointed officials.

Somewhere in between at the moment is the "status quo" and we as a Commission must develop from this mix the ideal bingo model, which may or may not be different for casinos. We are hard at work on this but have a distance to go. Our previously mentioned decisions to train and register professional charity advisors is one early step, and our newly established licensing program is another.

A third problem identified in many submissions was the need for consistency in our regulating and compliance exercises and some stability in terms of the long range future of bingo gaming. We were urged to develop a firm strategy which takes these needs into account, to publish this strategy widely and to offer some guarantees that things will not change two years down the road. This concern does not come just from the entrepreneurs who deserve to know what the future is likely to hold before making substantial property investments, incurring debts etc., but from the charities and non-profit organizations as well. They need a firm funding support base with few surprises in order to proceed in meaningful ways. We hope this report will be seen as a large step towards a stable, consistent gaming environment for B.C., one we can build upon and enhance as required and which will be useful in social policy planning.

Perhaps a fourth, general concern we have isolated is really a lament. Many people told us that they are sorry that the old fashioned church basement, Legion hall bingo is almost gone, replaced by an increasingly sophisticated, technologically dependent, less personal version of the game. This somewhat nostalgic view is tempered by realism and I think we all agree that things will not completely revert.

11. CONCLUSION

In British Columbia the Commission believes bingo can and should be properly provided as a commercial enterprise by private sector entrepreneurs in their own halls, where they will be obliged to charge a reasonable rent, profiting from food services and other concessions. This would be similar to the Alberta model outlined in Chapter IV, entitled "Gaming Experiences in other Jurisdictions". These commercial halls will be strictly regulated and appropriately audited by the Branch. The interests of the charity licensees will be protected by their hired, trained, professional charity advisors with charity volunteers assisting as much as possible.

The Commission will not see excluded, in fact we will encourage, the small community bingo, run by volunteers for modest church or community fund raising purposes. There is still room for this type of bingo event and the Commission is intent on protecting their interests.

CHAPTER VIII

TICKET LOTTERIES

1. INTRODUCTION

Ticket lotteries or raffles which raised a total of 9.3 million dollars for charitable purposes in the fiscal year 1986/87, have declined slightly in popularity in the Province since hitting a peak of 2,099 licences in 1984/85. The reason for this decline is attributable to increases in bingo and casino activity and the tremendous growth in government lotteries. Ticket lotteries are somewhat unique in the present charity fund raising scene for the following reasons:

(a) They involve a considerable portion of the membership in the sale of the tickets;

(b) The charity and its objectives are normally a part of the selling process. Bingos and casinos on the other hand can be run by relatively few members of the charity and the name of the charity and its objectives have little to do with the the success of the event;

(c) While ticket lotteries require a minimum payout percentage to charity, there are no limits set on prize payouts or expenses. In some raffles the prize payout is so low that the purchasers are in fact making a donation to charity.

2. TERMS AND CONDITIONS

The present Terms and Conditions allow two classes of ticket lottery licences:

"A" licences where the total prize exceeds $500; and

"B" licenses where the total prize is less than $500.

The Terms and Conditions request licensees to conduct their ticket lotteries in such a manner as to assure participants that a draw will be held on a specified date for a known prize(s). In the event that the cash value of the prize exceeds $5,000, then the proof of charity ownership must be established prior to the commencement of the lottery. Notification to the Branch and the public of the name of the winner is currently not a requirement.

3. TYPES OF TICKET LOTTERIES

Charities are limited to a total of three ticket lotteries annually. The exception to this rule are "Meat Draws" which are in-house draws or raffles normally conducted weekly by veterans organizations and Service Clubs. Funds raised are contributed to charity.

There are up to five large charitable or non-profit societies in the Province that conduct up to three ticket lotteries annually. The prizes range between $100,000 and $250,000. Included in this group are the Seniors Lottery, the Kinsmen Rehabilitation and the Lions International Foundation. These lotteries are conducted mainly through the mail. The presentation is professional and expensive to market. As a result, expenses are high. The breakdown of revenue and expenses for a typical large ticket lottery is:

Revenue:	$600,000	100%
Expenditures:		
Prize Money	130,000	21%
Promotion and Marketing	233,000	39%
Administrative	38,000	7%
Profit to Charity	197,000	33%

In this example the percentage to charity, while impressive as a dollar figure, is less than the 35% required by the Terms and Conditions. Smaller value ticket lotteries normally have a much smaller percentage of expenses and thus pay out more both in prizes and to charity.

4. CONCLUSION

The Commission is determined to examine ticket lotteries, particularly the large operations, to ensure compliance with the Terms and Conditions. Additionally, and in line with the conclusions in Chapter XII on Financial Control and Accountability, we will require audits to ensure that stated charity objectives are addressed by charities and non-profit societies. We will also require that the names of prize winners are notified to the Public Gaming Branch.

CHAPTER IX

FAIRS AND EXHIBITIONS

1. INTRODUCTION

One of the more undefined responsibilities of the Commission is the regulation and licensing of the various types of gaming which take place at fairs and exhibitions across the Province. This does not include pari mutual wagering at horse races as it is not in our mandate.

This responsibility is undefined for a variety of reasons, including the following:

(a) The law respecting fairs and exhibitions, as contained in the *Criminal Code* of Canada, and as interpreted in jurisprudence over the years, is far from clear in terms of its impact, its breadth and its application.

(b) The itinerant nature of the operations, with concessionaires constantly on the move and stationary for only short periods of time, makes examination of their activities and regulation of their practices very difficult.

(c) Most members of the public who attend fairs and exhibitions are aware that historically, carnivals and carnival operators have been less than scrupulous in their relationship with patrons. This behavior is tolerated, partly because of the short term nature of these events.

2. REGULATION — WHY AND HOW?

Considerable sums of money are gambled at the gaming concessions of fairs and exhibitions. Profits to operators can be exorbitant and opportunities for skimming and other forms of theft are numerous. The public deserves to be protected and proper accounting procedures should be instilled to ensure appropriate distribution of revenue including tax collection. The general atmosphere should be one within which equitable and honest practices are employed, while compromise and cheating are reduced to a minimum.

To accomplish these desirable ends there must be licensing, terms and conditions for operation, inspection and regulatory control. The Commission intends to promote and ensure this. However, it will of necessity be a fairly slow evolution.

The Commission is indebted to the Co-ordinated Law Enforcement Unit of the Ministry of Attorney General, whose Policy Analysis Division recently concluded a study of carnivals and, in June of 1987, produced a paper entitled "CARNIVALS: Crime and Compliance". We have found portions of this useful, particularly their analysis of the relevant legislation and case law. With the permission of C.L.E.U. we have reproduced a portion of the Canadian Carnival Law section of their paper as Appendix "H". This material shows that there are significant uncertainties and ambiguities having to do with the relevant law and its interpretation. It may even be that licences are not required for any of the concessionaires operating "games" at fairs and exhibitions. If this is so, our Terms and Conditions will require amendment as will our general regulatory approach. In Sec. 6.03 of Part VI, for example, we have specified that "any person with a record of conviction for an offence, directly or indirectly related to any gaming activity, may not participate in the activities related to a licensed event." This section is designed to help ensure honest operation of gaming concessions at fairs and exhibitions, and, to make it possible for Branch inspectors to preclude the employment of undesirables on pain of an annual licence refusal or cancellation.

At the present time, concessionaires and the boards of most fairs and exhibitions here in B.C. are co-operating with regulatory efforts to the extent that they have been asked to. We expect this to continue. In the event that fairs and exhibitions and their concessionaires may not require licences as the law evolves and receives additional interpretations, the Commission will have to be dependent upon good will and community citizenship intentions as a base for inspection and control. The Commission is uncomfortable with this situation and will be focussing on it in a more comprehensive fashion.

3. BINGO

Bingo is one of the games played at fairs and exhibitions and has always been well patronized. With the tremendous growth in the popularity of bingo at commercial halls over the last five to ten years, attendance at games played on the sites of fairs and exhibitions expanded as well. This forced regulators to pay close attention to bingo at fairs and exhibitions and to concern themselves with the prospect of ensuring that charities be the main benefactors of licensed gaming.

For years bingo has been an entertainment or gaming option available at British Columbia's biggest annual fair, the Pacific National Exhibition (P.N.E.). All profits from bingo went to the P.N.E. Some time ago the Branch approached the P.N.E. with a plan to involve charity volunteer workers, branch inspectors, and professional bingo event arrangers in the 1987 fair with a view to maximizing profits from the annual 3 week long bingo. It was to the benefit of both charities and the P.N.E., and, at the same time, provided a training opportunity for volunteers who would thereafter be much better equipped to assist in the running of bingo games for charities in other surroundings. The experiment was a success and over and above the P.N.E.'s share of profits, some $125,000 were made available to the five participating major charities.

4. OPERATIONAL COMPLIANCE UNIT

There are some good reasons for the Commission to increase its attention to gaming at fairs and exhibitions and to encourage more involvement in that area by the Branch. One of the ways we see this transpiring is by the appropriate tasking of the Co-ordinated Law Enforcement Unit (C.L.E.U.) Operational Compliance group.

This team was made up of personnel from C.L.E.U. and the Consumer Taxation Branch of the Ministry of Finance. Their original mandate was to improve security at Expo 86 by thorough background checking of employees and participants and to maximize revenues for both government and Expo by the imposition of tight financial controls. This venture paid off handsomely, and revenue returns far in excess of what would have been otherwise reported were the result. Selective hiring and employment practices weeded out many undesirables and brought an increased atmosphere of respectability to the concession and concessionaire aspects of the Exposition.

The Commission and the Branch see a continuing role for a similar Operational Compliance Unit in connection with future gaming activities at fairs and exhibitions throughout B.C. Deployment methods and operational policy are being developed at the moment. This unit could become one of the more effective tools at our disposal to control and regulate this area in the future.

5. CONCLUSION

There is an urgent need for clarification of the law in respect to gaming at fairs and exhibitions. Relevant *Criminal Code* sections are confusing and contradictory as are some of the jurisprudence evolving from them. This makes our regulatory process extremely difficult and leaves us vulnerable to the conflicting opinions of lawyers and courts at different levels. The Commission believes the law should be rewritten in language that clarifies which types of gaming can go on at fairs and exhibitions, as well as the conditions of licensing.

CHAPTER X

SOCIAL CLUBS

1. INTRODUCTION

Of specific concern to the Commission is that gaming activity which is being carried on as a consequence of existing, incorporated, bona fide social clubs. These social clubs are licenced pursuant to the *Society Act* and the *Criminal Code* of Canada.

The important, relevant law is found in Part V of the *Criminal Code*, in particular section 179 (1) which states:

"common gaming house" means a place that is

(a) kept for gain to which persons resort for the purpose of playing games, or

(b) kept or used for the purpose of playing games

(i) in which a bank is kept by one or more but not all of the players,

(ii) in which all or any portion of the bets on or proceeds from a game is paid, directly or indirectly, to the keeper of the place,

(iii) in which, directly or indirectly, a fee is charged to or paid by the players for the privilege of playing or participating in a game, or using gaming equipment, or,

(iv) in which the chances of winning are not equally favourable to all persons who play the game, including the person, if any, who conducts the game.

"game" is interpreted as meaning a game of chance or mixed chance and skill. The authority to licence social clubs comes from section 179 (2) which states:

A place is not a common gaming house within the meaning of paragraph (a) or subparagraph (b) (ii) or (iii) of the definition "common gaming house" in subsection (1) while it is occupied and used by an *incorporated bona fide social club* or branch thereof, if,

(a) the whole or any portion of the bets on or proceeds from games played therein is not directly or indirectly paid to the keeper thereof, and

(b) no fee is charged to persons for the right or privilege of participating in the games played therein *other than under the authority of and in accordance with the terms of licence issued by the Attorney General of the province in which the place is situated* or by such *other* person or *authority* in the province *as may be specified* by the Attorney General thereof.

On August 5, 1987, the Attorney General specified the British Columbia Gaming Commission as the authority in the Province to issue licences to incorporated bona fide social clubs or branches thereof, and to prescribe the terms of those licences in accordance with the requirements of the *Criminal Code*.

At the same time, it was deemed that the Public Gaming Branch, as of November 1, 1987, would assume the responsibility of inspection and compliance of these clubs in order to regulate their activities. These functions were transferred administratively from the Police Services Branch of the Ministry of Attorney General.

These responsibilities are new to both the Commission and the Branch, and much examination of the situation has yet to be done. In the interim the Commission has adopted the Terms of Licence already in force as well as the Policy Guidelines presently in place. The Commission has also adopted the Application for Social Club Gaming Licence documentation and the licence form itself, which has been revised for use in 1988. Due to other pressing commitments, it will be some time into 1988 before the Commission will be able to make changes to the licensing system in order to better regulate social clubs. The advice and recommendations of the Branch inspectors will have a significant impact on these regulatory changes.

The Commission is fortunate to have been provided with a report completed in May of 1987, entitled "Social Clubs, Licenced Gambling". This is a thorough review of the subject conducted by the Policy Analysis Division of the Co-ordinated Law Enforcement Unit (C.L.E.U.) of Ministry of Attorney General. It has been invaluable to the Commission in helping them to acquire some early appreciation for the problems

concerning social clubs, along with providing some insight into what needs to be done. As a result of studying this report we have identified our major areas of concern which include:

(1) *Licensing and the necessary attendant investigation;*

(2) Proprietorship, i.e., individuals purchasing, selling, owning the clubs for profit;

(3) The range of games played and the manipulation of these in order to skim profits;

(4) Advertising and competition for patrons;

(5) Membership;

(6) Police interests and involvement of organized criminals;

(7) Municipal bylaw impact and hours of operation;

(8) Liquor consumption and sales.

These and other issues are elaborated on in Appendix "I" and present an accurate picture of social club gaming activity as it is today.

2. CONCLUSION

In the months ahead we will be searching for appropriate remedies, in an effort to ensure that these clubs exist and function only within what was intended by the relevant sections of the *Society Act* and the exemption clause provided in the *Criminal Code*. Most have evolved into something other than what was visualized at the start, and this should either be rectified by a process of inspection, regulation and compliance, or the decision to license such establishments at all should be reconsidered. If these clubs were no longer licensed, we are cognizant of the fact that some clubs would simply continue to operate in an unlicensed, illegal and underground fashion. This would add to the gambling enforcement burden already borne by the police, and this is not much of a solution.

There is a fundamental question which has to do with how much, and in what form, government should interfere in the recreational habits of citizens in an effort to control the undesirable side effects of those habits. Obviously some individuals are making money illegally out of social clubs where citizens gather to play poker and other card games, mostly under conditions which result in little or no disruption to the community and very few complaints to the police. Who then is being protected, and what really is the evil we seek to eliminate by strict regulation, control and compliance? If it is just an exercise to ensure that current laws are upheld, then maybe these laws require thoughtful re-examination. If it is to ensure that those profiting illegally are brought to justice, then enforcement priorities loom and the activities of these individuals would have to be measured on a scale where much more nefarious activity competes for attention.

CHAPTER XI

LICENSING, REGISTERING AND BONDING

1. INTRODUCTION

British Columbia boasts the highest percentage of gaming revenue to charities in Canada. This demonstrates a healthy industry meeting its primary objective. A good deal of credit for this must go to the dedicated and knowledgeable staff of the Public Gaming Branch.

Businessmen should also be recognized for identifying a lucrative opportunity and setting about to earn money for themselves and charity by providing equipment, space, gaming, business expertise, and encouraging charities to incorporate and apply for gaming licences. These entrepreneurs sparked a quiet but rapid growth industry, effectively enabling charities to survive the transition from depending on government grants to earning their own revenue.

A volunteer component remains a requirement of the Terms and Conditions, but there is a sense of relief amongst many charities that a more abundant source of funding other than carwashes and bake sales is available. To establish a sense of stability in obtaining this revenue, and to ensure that entrepreneurs did not flourish at the expense of charitable income, the licensing of charitable organizations and the businessmen involved in gaming was introduced.

2. LICENSING

There are currently two types of charity gaming licences:

(a) type "A" licence is one which is issued for a series of bingo and casino events and ticket lotteries with prizes valued over $500;

(b) type "B" licence is issued to charitable organizations wishing to hold no more than five (5) single event bingos with cash prizes totalling no more than $2,500 for the five events, or ticket lotteries with prizes worth no more than $500.

The Commission issues all "A" type licences and can issue type "B" licences. In outlying areas, Government Agents are authorized to issue type "B" licences. If these are unavailable, charities can apply for "B" type licences by mail.

Recently the Commission was given the responsibility of the licensing of social clubs, which are discussed in Chapter X of this report. This is an area of gaming for which, until now, financial accountability has not been a prerequisite for licensing. There is a need for regulations and requirements for licensing.

The licensing of fairs and exhibitions is another area that requires an evaluation and examination of financial accountability before licensing. These long standing institutions introduced public gaming in Canada.

(i) Conditions of Licence

The Commission has heard repeatedly that some charities are realizing far more revenue from gaming than their activity requires. These charities, in taking advantage of the full number of ticket lotteries, bingo and casino events allowed under the current Terms and Conditions, cause other charities to be denied access to gaming revenue in some areas. Currently, there is no requirement for either accountability of previous revenue raised through gaming or listing of assets. In an effort to equalize access and prescribe accountability, the following information will become conditions of licensing including renewal of current licences:

(a) proof of charitable Federal Tax number or a registration in good standing under the provincial *Society Act;*

(b) a signed financial statement documenting current assets; all previous years revenue sources for both capital and operating budgets;

(c) budget for coming year — both capital and operating;

(d) status of any trust account;

(e) number and status of all gaming licenses including bingo, casino events and ticket lotteries requested and anticipated gaming revenue required to meet objectives;

(f) a clear definition of the charitable objectives;

(g) rent structure and copy of agreement.

(ii) Appeal Process

It is important to note that a licence is a privilege rather than a right, and a procedure of natural justice such as a hearing is not required if a licence is refused. However, the Commission has established an appeal process.

The licensing authority given the B.C. Gaming Commission allows the Chairman, Vice-Chairman or another designated Commission Member authority to approve licences. Should a licence be refused or suspended, the appeal procedure allows the applicant to appear before a three (3) Member Appeal Board consisting of Commission Members who have not seen or discussed the application.

Since July of 1987 the Commission has heard eight appeals in Victoria and Prince George. In seven cases the appeal was denied and in one instance the appeal was successful and a licence was subsequently issued. At the time of writing, there are two appeals which have yet to be dealt with.

(iii) Areas of Concern

A number of concerns with regard to licensing have been identified and require more consultation and policy development. These concerns are as follows:

(a) The problem of exorbitant or unreasonable rents needs to be addressed, and the Commission is currently considering a number of options. Co-operation will be sought from the industry and the charities in resolving this problem;

(b) Licensing approval for casino management companies and bingo hall operators should be subject to municipal zoning and health regulations;

(c) Access must be equalized through limiting licensing by categories, such as health and social services, cultural, recreation, religious and education;

(d) Amendments to licences may be made for a change in location, date and time, but take a good deal of time and require research. These additional costs will be covered by a licence amendment fee;

(e) Registering, bonding and training of the key workers will improve the quality and integrity of gaming activity;

(f) Registration of supply and service companies will be required.

3. CHARITY GAMING

(i) Bingo

The rapidly escalating bingo industry has grown in the past five years from a gross revenue of $34,531,411 in 1982 to projected figures of $180,000,000 in the fiscal year ending March 1988. This is due to the introduction of large commercial halls. With the advent of commercial halls, there was a necessity to revamp licensing requirements. It was felt that since these operators played such a large role in expanding the opportunity for charitable organizations to derive gaming revenue, they should be recognized through licensing. The process currently underway enables control of the proliferation of halls and its attendant destabilization. Bingo hall operators will be required to indicate financial viability and corporate structure. They will also be required to meet safety and security requirements. There is currently a restriction on new locations for commercial halls however, there are 2 or 3 halls within the Province opening within the next few months. These halls were in various stages of planning when the new restrictions were imposed.

Charities using bingo for gaming revenue are encouraged to form Bingo Associations and establish a Board of Directors who can negotiate rent and time slots with the hall owner(s). The Association may choose to "pool" revenue as discussed in Chapter XII on Financial Control and Accountability.

(ii) Casinos

Licences to charities are currently limited to a maximum of three (3) occasions, three (3) times a year. Considerable input has been received regarding the necessity of determining the number, mix and type of games in advance of the event. A good case can be made for allowing some flexibility since it is difficult to predict the wishes of the crowd. The Commission will consider changes in the future when suitable control measures are developed.

For the time being, the betting limit will remain the same. Good arguments were advanced in favour of raising the limit on a gradual basis. Some believe it could assist in allowing the casinos in the outlying, smaller communities to be viable. The $5.00 limit, while restrictive in allowing casino operations to expand and upgrade as quickly as they would like, will still allow management companies a reasonable rate of growth and provide charities a good return in those areas with an adequate population base. Maintaining the current limit allows for stability and consistency in adherence to the Terms and Conditions.

(iii) Social Occasion Casino

These are one day events run by organizations for their own members and not open to the public. The equipment may be rented from a service company but the event must be operated by volunteers from the sponsoring organization. These are intended to be social events rather than fund raising events. Only three (3) casino licences of any kind are allowed per year.

(iv) Ticket Raffles

A number of concerns need to be addressed by the Commission in its policy review of ticket raffles. These include the following:

(a) There should be notarized, written proof of any prize valued over $5,000 from either the bank if it is cash, or from the person donating the prize;

(b) Written verification should be made to the Branch of the name and address of the prize winner within two (2) weeks of the draw date;

(c) The application process should include a budget to identify increasing costs of professionally produced advertising and sales promotion.

4. CHARITY PERSONNEL

A large number of hardworking, dedicated and increasingly informed charity volunteers control the acquisition of gaming revenue. These people have made their work at bingo and casino events an avocation. Their services are sometimes free, and often their honoraria are small. Their training is "on the job", and their responsibilities are tremendous. In recognition of their valuable contribution, and as a means of establishing consistency in regulation and control, the Commission intends to allow registration of charity advisors. The role of charity advisors in both bingos and casinos is covered in some depth in those respective chapters of this report.

The problem of ensuring that the charity licensee maintains control over the gambling event in areas such as control of cash flow and, in the case of bingo, rent control, is a difficult one. The move to allow charity advisors is only a partial solution. More work on policy development will be done by the Commission.

(i) Charity Workers

There is a need to register and test for competency those key charity workers who handle specific tasks on a regular basis. It is particularly important that such workers as bingo callers and those who handle cash and operate as cashiers and counters be professional in their work. If it is necessary for these people to be paid in order to bring about this professionalism, the Commission will acknowledge and approve of such activity. This will mainly be necessary in the larger bingo halls and in all casino locations. These requirements are discussed in the chapter on training. The Commission intends to require a competency test as a condition of registration as well as proof of no criminal record. Registration would be required every two years.

5. CASINO MANAGEMENT COMPANIES AND PERSONNEL

An increasingly major role has been assumed by the casino management companies in B.C. During the period when only social event casinos were licensed, a number of companies formed to rent supplies and equipment to the charitable organizations. As an additional service, they sometimes offered the charity volunteers instruction on how to manage and run events. In 1986, permanent casinos were permitted and a new aspect of the gaming industry became firmly entrenched. There is concern that a lack of direct regulation and control over this aspect of the gaming industry could lead to serious problems as the industry continues to grow. The Commission, the Branch and the casino management companies recognize the need for licensing casino management companies and their officers, directors and shareholders, and in registering and bonding their employees. The burden of proof of eligibility for licensing, bonding and registering must clearly fall on the applicant.

Such concerns as business competency, knowledge of gaming, secure and safe facilities, and adequate financing from a suitable source must be conditions of obtaining a licence for a casino management company. These companies offer an important service to the charities who use them. In some cases, however, they have gained such tight control over the business that the charity licensee merely receives its cheque, and does not adequately control the cash and the course of the event as is required under the Terms and Conditions.

6. BINGO HALL OPERATORS AND PERSONNEL

In July of 1987, the Commission, in response to concerns about proliferation of bingo halls from the Branch and some municipalities put "on hold" the number of new bingo hall locations. At the same time the decision to licence bingo hall operators was made.

The operation and control of a large number of charity bingos have, for some time, been in the hands of the commercial bingo hall operator. In some cases charity volunteers are not welcome and have been asked not to assist, since inexperienced volunteer helpers have caused bingo players to move on to play at halls where the staff is experienced and knowledgeable. This is unfortunate and not acceptable. To some extent the system is at fault.

This situation has evolved in a similar manner to that of the casino management companies control of events. In an effort to keep the commercial halls profitable, the owners solicit charities and help them fill out the licence application, taking responsibility for seeing them through the licensing process. The charity, in many cases, is happy to let the bingo hall operator manage the event and just hand them a cheque. Some charities are grateful for this "easy money". No volunteer time and energy is spent raising the money, which allows their volunteers to devote their time to "charitable purposes".

This situation clearly violates the Terms and Conditions. It would appear to be an evolution of necessity. If control is to be retained by the charity and the Terms and Conditions are to be met, the solution is to hire a charity advisor.

The bingo hall operator's contribution to the growth of the industry has been recognized through the introduction of licensing. The Commission may meet with applicants for licences in the form of a hearing. The recent formations of bingo hall associations are recognized by the Commission. It is hoped that they will become valuable allies in regulating the industry.

7. BONDING

Bonding is a three party agreement by a company or an individual doing business to insure protection to a third party (client) working with a particular company or individual. Bonding is not insurance per se. However it does give certain areas of coverage where losses to the third party may occur. Bonding is provided by bonding companies to their clients with restrictions not necessarily applicable to an insurance policy. For a person to obtain bonding, the prerequisites of the bonding company must be met. A person must be of good character, with no criminal record for a given period of time (usually five years) before the bonding application, and must meet certain other criteria. It would appear that to be bondable would be a more beneficial requirement than to be bonded.

(i) Application to Gaming

When one considers gaming as an "infant" in British Columbia, as well as the vast sums of money generated from gaming within British Columbia, it is easy to see the need for integrity and sincerity. The bondability of certain persons working in the gaming industry becomes necessary.

Bonding should be considered when dealing with all employees of companies who supply a service to charities and who are in this position of trust. Persons who have the opportunity, by the nature of their duties, to "skim" from the charities and/or government, should also be considered. The public or players of the "games of chance", also called 'gaming," are not at jeopardy. Cheating a player at a game of chance is covered under the *Criminal Code* of Canada. Bonding is not applicable in situations such as this. The bonding process will allow the government to benefit from the investigative services of the bonding company.

(ii) Who Should be Bondable?

Individuals within the gaming industry who should be bondable include charity advisors, and casino supply company employees who should/would be covered under the bonding umbrella of the company. Any person handling money in large sums would need to be bondable. We may not require they be bonded but that they be *BONDABLE*.

8. LICENSING FEES

The establishment of the Lotteries Branch in 1970 fixed licence fees at a level to cover administrative costs. At that time the staff consisted of a licensing officer and two clerks. There have been various rationale used since that time in restructuring the fee level including connecting the fee schedule to the financial success of the lottery.

The growing gaming industry has caused a significant increase in licensing and enforcement time and the staffing complement now numbers 29 with additional staff required to meet the demands. The fee structure included in Appendix "J" reflects both factors of administrative costs and a commitment by the Commission to support these costs from fee revenue as well as connecting fees to the financial success of the lottery. Licensees will receive successive licences only when the balance of the fees owing have been paid and a financial statement has been submitted. The fee structure will be reviewed at least every two years for fairness and suitability.

9. CONCLUSION

The licensing and registering of people involved in the gaming industry is seen by the Commission as an essential means of ensuring integrity and a more orderly growth of this multimillion dollar activity. Considerable discretion will be necessary on the part of the licensing authority to prevent over-regulating the industry. Clear policy and regulations are needed to allow a more professional and better regulated gaming industry to develop.

CHAPTER XII

FINANCIAL CONTROL AND ACCOUNTABILITY

1. INTRODUCTION

The critical need for strict and enforceable financial control and accountability in gaming activity has been reinforced by visits to other jurisdictions as well as in a review of available literature. A lack of adequate accountability in the industry has primarily been a result of a lack of policy and regulations. This matter is currently being addressed by the Commission and will result in policy changes and amendments to the Terms and Conditions.

There are a number of accounting tools available for financial control and accountability. However the best measure is involvement by the charities in bingo and casino events and their continued responsibility for handling the money and paperwork. The commercial bingo hall owner operator and casino company manager provide a consistent check on the accounting procedures and offer the benefit of their experience in the gaming industry. This is a second form of control which currently is unallowable under the Terms and Conditions. In most instances these people offer stability and continuity to the industry. This has been acknowledged in the current plan to license both commercial bingo hall owners and casino management companies. The move to organize associations of bingo hall owners and casino management companies can also be useful in controlling the industry by adopting a professional approach and encouraging self-regulation.

2. BASIC PRINCIPLES OF FINANCIAL CONTROL

(i) Audit Trail

There are two forms of audit control. One form is the paper audit which follows the flow of money from the player to the charity. Each step must be recorded. The other form is the use of two people, a charity person and an industry representative, to monitor the paper audit.

(a) Bingo — the audit trail involves the cash register receipt and numbered bingo paper. Each bingo hall currently uses their own paper audit forms. There is a need for these forms and processes to be standardized.

(b) Casinos — the audit includes the exchange of a controlled number of chips for cash, which is dropped into a locked box. Each exchange of money for chips to and from the casino bank is accompanied by a "credit fill" in triplicate, signed by a charity representative and a management company representative. Improved financial control and reporting forms are currently being developed to allow uniformity.

(ii) Supervision of Cash Flow

Supervision of cash flow is undertaken by two separate parties i.e., a charity representative and a management company or bingo hall operator representative. This control measure is usually adequate and in the majority of situations works well. It needs to be recognized by policy.

This supervision of cash flow is an effective measure when the charity representative has some gaming expertise and understands the significance of the cash flow process. Unfortunately, this is not always the case. Both parties involved must adhere strictly to the financial control process in place in order for it to be effective. In B.C., until recently, the control process varied between casino management companies. There are currently new draft casino regulations and financial control forms being circulated for comment, modelled after the Alberta system of control. These will require consistency in processing both money and chips. Uniform financial controls and reporting systems are needed for bingo as well. These will assist greatly in allowing for a more accurate division of revenue for charity, government and management companies.

(iii) Separation of Responsibilities

Bingo halls should be required to make provision for a secure count room and holding area for cash. With regard to casinos, it is in the best interests of both the charity and the casino management company to ensure that responsibility for the games area, banking area and count room area remain separate. The count room and banking area should also be physically separate and secure.

It is possible for collusion to occur between the accountant responsible for the count room and the games manager if there is agreement that not all cash taken in will be recorded. This same opportunity exists for collusion between the accountant and the cashier. Such situations in B.C. are currently the exception rather than the norm. New audit controls being developed will address this concern in both bingo and casino.

2. CONSEQUENCES OF INADEQUATE FINANCIAL CONTROL

(i) Theft — Skimming

Theft in the form of "skimming" is the practice of under reporting income from the game and pocketing the difference. There is often a suspicion of theft on the part of workers, players, hall operators, management companies and even charities and their workers. The temptation for theft is powerful as large amounts of cash flow through the hands of many people. Registration of people working in the industry and enforcing good principles of financial control are deterrents. It is less likely to occur in bingo, particularly when numbered bingo paper and cash register receipts are used. At the moment, however, some smaller bingos are still using unnumbered hard cards and are therefore less controllable.

The opportunity for theft and the difficulty of detecting and eliminating it are the reasons that many jurisdictions are reluctant to expand their gaming industry. This cash intensive industry offers an endless combination of opportunities. However, enforcement authorities and provincial jurisdictions believe that with careful scrutiny through licensing, the establishment of strict, enforceable control measures and the use of surveillance and security in the early stages of development of the gambling industry, a good opportunity for a healthy, relatively crime free industry exists.

(ii) Player Confidence

It is in the interests of both the management and the charity to ensure that financial controls are in place and enforced. The success of any gaming event rests on the players belief that with luck and skill, he can "beat the house" and "win" a profit.

If lack of control measures or the suspicion that there is collusion or fraud are apparent, the players' confidence and willingness to gamble is jeopardized.

Skilled and trained casino dealers and bingo help are also essential to player confidence. Training programs and competency testing are already being planned by the Commission.

(iii) Loss of Tax Revenue

In B.C. the majority of the gaming industry personnel receive only small honoraria from the charity. As a result, most do not report their income, and government revenue through taxes is lost. The Commission intends to register all participants in the industry as Alberta does. The opportunity exists to provide legitimate jobs and to monitor the payment of personal and corporate income tax.

4. GENERAL CONTROL MEASURES

(i) Use of Credit

The Commission is firm in its position of refusing to allow credit for charity gaming. Money machines will not be allowed in gaming establishments.

(ii) Audit Control Procedures

An area in B.C. requiring additional study is that of auditing procedures. The importance of financial controls in monitoring gaming demonstrates the need for additional Branch staff in the field with specialized auditing and accounting skills. The entire area of audit control procedures must be given immediate attention with revised policy and programs developed and implemented at the earliest possible time.

With the current level of staffing in the Branch and the limited time frame of the Commission, it has not been possible to implement all revised and improved control procedures.

The Ministry of Attorney General and the Ministry of Finance and Corporate Relations currently have an Operational Compliance Unit which in the past has been used to structure, develop and implement procedures at EXPO 86 as well as the carnival industry. Many of the problems inherent in gaming such as skimming, internal control, etc., have previously been dealt with by this Unit. It is not suggested that the Operational Compliance Unit supplant the eventual audit structure for the Branch. However, we would recommend that the mandate of the Operational Compliance Unit be expanded to assist in the development of audit control and enforcement procedures in conjunction with the Branch and in concert with Commission policy.

These individuals should review and implement procedures from the application stages through to the final audit control. Emphasis should be placed on developing a "clearly and simply" devised paper audit trail for financial controls in all areas. As well as implementing an improved financial reporting system, the Branch staff should also make unscheduled audit checks on financial control systems and procedures while gaming is underway. Uniform accounting systems and forms should be required. When the spot checks occur, a systematic check list of basic items should be carried out, offering both the charity and hall owner or casino management company assurance of consistency in inspection and control. A written memo of inspectors' concerns would also be useful.

In the U.S., specific accounting procedures and standards are available for auditing gaming operations, while in Canada they are not. Preliminary discussions with the Institute of Chartered Accountants of B.C. and the Certified Public Accountants Association of B.C. have resulted in the Commission's determination to develop such a tool in conjunction with the Branch.

Another possibility is the hiring of a chartered accounting firm knowledgeable about gaming to devise specific control procedures and assist in contract audits while working in conjunction with the public.

(iii) Surveillance and Security

Financial controls are only effective if enforced. Electronic surveillance for observation above games rooms is being used by the larger casinos in Edmonton, Winnipeg and Vancouver. This is expensive equipment and impractical for smaller operations. The video taping of games or the count room when there is a concern about cheating or skimming is useful. It can also be admissable as evidence in court. This is not currently being done in B.C.

Good security requires that the collected cash in casinos remain in locked and numbered boxes with keys counted and controlled by the charity. Only bank room staff should be allowed in the bank room, which should be secure, separate, and not easily accessible. This is not a current requirement in B.C. for casinos but could be considered a condition of licensing casino locations. Bingo halls should be required to have a separate and secure area to count and hold cash. It is also important that the count room for casinos be locked and separate from the bank and also not accessible to any but count room staff. Currently, this is not required. However, it should be included in the proposed licensing procedure. There is some concern about the transportation of cash at the conclusion of the evening's events to a night deposit box. Providing for safe storage of cash will be a requirement of licensing for hall operators and casino management companies.

(iv) Split of Revenue

The "split" is the division of gross revenue between the charity, the management company and the government. Initially the Commission was besieged by the casino management companies with requests for a change in the "split" for casino events.

Currently the casino "split" is 50% of the gross proceeds to the charity, 10% to government as a licence fee and 40% for all costs. It is from this 40% that management companies must find a way to be profitable. As a result of the "freeze" imposed on new charities and casino locations, it has become apparent that

casinos require a certain volume of clients in order to survive. A population base of between 75,000–100,000 seems reasonable. There are exceptions who are thriving on a lower population base on an intermittent basis. There appears to be no indication to alter the split for casinos as a result of the findings of this report

The bingo "split" for proceeds as taken from the current Terms and Conditions are as follows:

"3:20 The following formula will govern the distribution of the proceeds derived from the bingo event(s).

(a) Where the aggregate value of the prize awards in a licence year exceeds $60,000.00, a maximum of 60% of gross proceeds may be given back as prize payouts and, a minimum of 25% of gross proceeds will be given to charity;

(b) Where the aggregate value of the prize awards in a licence year exceeds $20,000.00 but does not exceed $60,000.00, a minimum of 20% of gross proceeds will be given to charity;

(c) Where the aggregate value of the prize awards in a licence year does not exceed $20,000.00, a minimum of 15% of gross proceeds will be given to charity."

There has been a request from the B.C. Commercial Bingo Hall Association to consider amending the split. In August of 1987 figures indicated that only a few bingo hall operations were unable to offer 25% or more to charities. Of the commercial halls, 75% are achieving better than 25% gross revenue to charities.

Similar percentages are generally used in other provincial jurisdictions although a different formula is employed. B.C. has the highest percentage return for charity in Canada. Problems with regional disparity are recognized and require further study. In B.C. prize limits for bingo in each occasion are $7,500. This provides a limit on the size of bingos and ensures the continued stability of the industry. There has been much discussion and debate from bingo hall owners on this issue but the industry continues to thrive despite this limitation.

(v) Charity Accountability

The lack of accountability for revenue that charities receive from gaming has become a glaring problem. This has been brought to light in part by those charities who have been denied access to casino gaming revenue due to the current "freeze", as well as those unable to secure a place in a bingo hall or a popular evening spot.

It is evident that there are some charities who realize far more money from gaming than they require. In some cases the excess funds are passed on to other charities but most often the organization expands in an effort to use the funds themselves. Charity licensees must be discouraged from repeatedly using all allowable licence opportunities to raise funds in excess of their need. Some control of this problem will evolve when the Commission establishes stricter guidelines for charitable objects and purposes. An outline of the financial requirements of the charitable organization and the amount of revenue anticipated to meet that requirement will become a condition of licensing. A detailed budget for the coming year and a financial statement of revenue and expenditures for the previous year will increase charity accountability and enable the Commission to limit the number of licence events to what is required. The Commission believes that annual charity gaming revenue should be public information.

5. SPECIFIC CONTROL MEASURES

There is an ongoing process of improved financial control and enforcement in B.C. However, there are still other areas of concern which need to be addressed by the Commission in setting policy.

The advantage of the B.C. system is the ease with which improved and stricter financial controls can be implemented when necessary, while still maintaining some sensitivity to the need for sound management companies and commercial hall operators. Continued co-operation and consultation is required in this area.

Some of the areas of concern are as follows:

(i) Bingo

Financial control in commercial bingo halls has, by default, often fallen to the hall operator. He has an interest in maintaining his investment and in many cases is the one driving force that encourages, supports

and sometimes controls the bingo activity of charity licensees. There are many styles of management which makes inspection and regulation a challenge.

There are a number of areas requiring policy development and regulation. They include:

(a) clear concise financial reporting forms, universally used;
(b) an approved in-house recording of cash flow;
(c) an option of using trained charity advisor;
(d) a secure and safe environment for receiving and counting cash — safe transportation of cash or secure overnight storage;
(e) "pooling" — it is possible for a charitable community association (CCA) to operate by pooling all gaming revenue from all charity members. Allocation of funds is determined by a board of directors of the CCA. This is a preferred method of financial control. However, there are good arguments against making this mandatory and these include there being less incentive on the part of the charity to promote their event.

(ii) Casino

Staff must be reliable, honest and trained. Staff are, in themselves, important control features. A pyramided system of people watching people makes theft difficult. Licensing and registering of staff and companies is an added control measure. Specific concerns in financial control of casinos are being addressed in a draft set of regulations currently being tested in a number of locations.

(iii) Social Clubs

A validated financial reporting form should be developed as a requirement of licensing. This area will be examined further in the coming year.

(iv) Ticket Lotteries

A report on the prize awarded including the date and the name of the winner is currently not a requirement. This should be addressed.

(v) Fairs and Exhibitions

This will be considered further in the coming year. Financial control systems require careful examination and implementation.

6. CONCLUSION

The Commission believes it is essential that policy and regulations be developed and enforced as soon as possible taking into consideration timing and staffing levels. The expanding cash based gaming industry demands strict financial controls. Proof of financial responsibility and compliance with these controls will be a condition of licensing.

CHAPTER XIII

TRAINING

1. INTRODUCTION

Currently in British Columbia there are no regulations or guidelines developed to achieve the level of competence required for the various occupations in the gaming industry. It is possible to suggest that the industry has thus far been self-regulating in this regard. However, we believe that if the industry is to be perceived with integrity, prescribed levels of competence are necessary. Any multimillion dollar industry requires a qualified and competent workforce to operate effectively. In addition there must be a cadre of capable people responsible for ensuring compliance with the regulations.

The Commission acknowledges a close regulatory relationship between ensuring the competence of individuals, through training and testing, and the integrity of individuals, through licensing procedures. The presence of competent personnel inspires confidence in those who receive the product of that business. This outcome of good training, is one which is desired in gaming within the Province of British Columbia. For this reason we must anticipate what these levels of competency should be and recommend the best means to achieving them.

2. CHARITY ADVISORS

The Commission recognizes the need for a charity advisor who would enable the members of the charitable organization to capably conduct a gaming event. Qualified charity advisors are required to train volunteers in all procedures relating to the Terms and Conditions. They will provide on-site supervision of the volunteers during the running of events.

To satisfy the training and supervision requirements of the charity advisor the following items are recommended to define its functions:

(a) The charity advisor is responsible for assisting the charity in obtaining a licence to ensure that the charity understands its duties and responsibilities and the nature of the gaming event;

(b) The charity advisor is responsible for training volunteer workers assigned to the gaming event in their duties;

(c) The charity advisor is responsible for ensuring that procedures prescribed by the Terms and Conditions and the Gaming Branch are met and that all paperwork is properly completed.

As soon as changes are made to the Terms and Conditions outlining the role of the charity advisor, the Branch will assist in developing a certification course through the Justice Institute of B.C. Upon successful completion of this certification course the charity advisors will be registered by the Commission. A criminal records check will also be required. The Commission believes that the charity advisor should be contracted by the licensed charity on a fixed sum basis rather than by a percentage of winnings.

3. GAMES DEALERS

The term, "game dealers" refers to those positions in a casino events that deal the table games, as well as the position of the pit boss. These games, such as blackjack and roulette, require a measurable level of skill and knowledge on the part of the operators who deserve to be paid accordingly. With the advent of professional casino operations this will occur. However, there are no positions in bingo that require skill and knowledge equivalent to that required in casinos with the possible exception of the caller. For this reason only casino dealers are considered here.

The most likely instructors to conduct training will be those that have had experience as casino dealers. The Commission will leave it to the employment marketplace to set the best criteria for a satisfactory level of competence, i.e., skill and knowledge. Any private or public training institution recognized by the Ministry of Advanced Education and Job Training, should be permitted to offer this training with the employment marketplace again determining which institutions are successful.

Those who wish to work at casino events as table dealers must first have successfully completed a training program at a recognized training institution for which they have been certified. As an alternative, individuals may present themselves to prospective employers and apply to take a competency test. Successful completion of this test would enable individuals to become registered by the Commission and employed by the industry.

4. MANAGEMENT COMPANY MANAGERS

Managers of supply companies include pit boss supervisors, games managers, general managers, operators and owners. Personnel in these positions are all employees of the casino management company. The competency of these personnel will be the responsibility of the casino management company. Their training will be to the satisfaction of the owners of the casino management company, the charitable organizations contracting their services and the Public Gaming Branch inspecting their operations.

Although in bingo there are no equivalent positions to consider, it is recognized that some charitable organizations currently make use of "professional managers" to assist in the conducting of their bingo games. The charity advisor will assume that position.

5. CHARITABLE ORGANIZATIONS AND EVENT VOLUNTEERS

The charitable purpose of gaming in British Columbia places a considerable amount of responsibility and accountability on charitable organizations and their members. For most members their involvement with the charitable organization is entirely voluntary and is motivated by reasons more closely related to the purpose of the charity rather than by fund-raising through gaming. Therefore it is important that the charity be given support and trained on its functions during casino events. With this in mind comes the creation by the Commission of the charity advisor position referred to throughout this report. We believe that both the officers of the charitable organization (or other appointed persons) and the volunteers assigned to the gaming events should receive guidance from the charity advisor.

6. SECURITY GUARDS

Presently the Terms and Conditions require that all casino events must have adequate security provided by the casino management company. Persons employed in this capacity must have received training in their security roles. The Commission believes that individuals employed as security guards at bingo or casino events should be licensed by the Security Programs Division of the Ministry of Attorney General. They should also have successfully completed a training program in private security at an accredited training institution.

There are several private security training courses available. For example, the Police Academy conducts a basic course (one week) and the Vancouver Vocational institute conducts a certificate program. Trainees cover the costs of courses as they are taken prior to employment. In some cases, a casino management company might elect to cover the costs of the training.

7. GOVERNMENT REGULATORS

Training for members of the Public Gaming Branch responsible for licensing, inspecting and auditing will be provided. Professional employees of the Branch are hired on the basis of their qualifications and experience and trained in their new responsibilities.

An orientation program suitable to the position and the new incumbent is required. Training can be administered in-house to the satisfaction of the Director of the Branch. The cost of training, including continuing education opportunities such as seminars and conferences, should be built into the Branch budget. The initial orientation and or training will be "on-the-job" experience in co-operation with current employees.

The Branch is currently working closely with the Justice Institute of B.C. to develop training standards and information which will be available to orientate new staff members within the Branch. In addition, it is also recognized that new members of the B.C. Gaming Commission require orientation to enable them to carry out their responsibilities.

8. POLICE

The Police Academy of the Justice Institute of B.C., in conjunction with "E" Division of the R.C.M.P. and the Branch, should assess on an ongoing basis the training requirements of municipal police forces in all legal and illegal aspects of gaming in B.C. From this assessment, training courses will be developed and conducted to uphold the gaming laws in the Province.

9. CONCLUSION

In conclusion, the Commission believes that training is one of the most important areas of implementation in order to ensure competent, honest, well-run gaming events in the province. In our travels to various jurisdictions we have seen different levels of efficiency but training has always been alluded to as a key factor to success.

All of the vocations within the gaming industry have been examined and standards for levels of competency have been explored. The charity advisor will assume direct on-site responsibility for ensuring compliance to the Terms and Conditions governing the operation of gaming events.

The costs of training with the exception of that which is involved in the regulation of gaming, should be covered by recipients. Training involving regulation will be financed by the government through its regulatory and enforcement agencies, such as the Public Gaming Branch and local police departments.

CHAPTER XIV

EQUITABLE ACCESS TO CHARITY GAMING

1. INTRODUCTION

The Commission agrees that their major concern arising from their review of charity gaming activity in the Province is that of equitable access by licensed charities and non-profit groups to gaming activities. This concern has existed since our first meeting and has been reinforced after subsequent visits to bingo and casino events. During our review we discovered that our concern was shared by charities, non-profit groups, hall operators, casino management personnel, public officials and the general public, some of whom participate as patrons at the gaming events. The present system of access was criticized by all.

2. CURRENT STATUS OF ACCESS

What is meant by "access" and how is the present system unfair? The Commission interprets "access" to mean the availability of funding to any licensed charity or non-profit society. At the present time a charity or non-profit society applies for and receives a licence for a bingo (maximum 52 sessions in a year), a casino (maximum of three — 3 night events annually), a ticket lottery event (maximum of 3 per annum), or any combination of the foregoing. The application must contain proof of charitable intent (registration as a non-profit society under the *Society Act*), proof of charitable activity for the previous 12 month period, a statement of the objectives of the organization and a simple description of how funds raised will be utilized. A licence fee of $25.00 also accompanies the application.

Applications are reviewed by the Branch for accuracy and are then forwarded to the Commission, who has the final decision-making authority, with a recommendation for approval or rejection. At the present time, excluding the "freeze" on new casino activity, applications are considered on a first come, first served basis. Bingo and casino applicants must indicate an available hall or casino location, date, and time slot. Thus, hall operators and casino management companies are involved from the beginning in the access process.

For a number of reasons, but mainly due to timing and good management, a number of organizations obtain the best time slots. This occurs particularly in bingo, and these organizations produce a surprising amount of money for their charitable activities. To highlight this point, it is a regrettable but true fact that we are aware of a number of charities and non-profit groups who, through early application and good management or luck, have access to excessive funding ($100,000) annually. Conversely, other worthy charities who have subsequently obtained a licence have much reduced access and consequently less funding.

3. LICENSING ELIGIBILITY

Prior to discussing equalization of access we will look at the question of licence eligibility. The present Terms and Conditions define a "charitable object or purpose" as

an object or purpose which comes within one of the following classifications of charity:

(i) relief of proverty;

(ii) advancement of education; and

(iii) the advancement of religion; and

(iv) for other purposes beneficial to the community (this includes a purpose where the benefits derived are available to a significant portion of the community and, without limiting the generality of the foregoing, may include the provision and support of public recreation, picnic areas, playgrounds, cultural activities, athletic facilities and amateur sport).

This definition is the "measure" used to determine charitable eligibility in B.C. In Alberta, Manitoba and the Yukon, a key component of eligibility is that the organization be run without charge by volunteers.

Manitoba also requires the charity to qualify for a Federal Charitable tax number. The *Income Tax Act* does not recognize fraternal or service clubs as "charitable" because only a portion of their resources is devoted to charitable activities. In B.C. these groups may receive gaming licences. In Alberta and British Columbia there is a growing concern that the very broad interpretation of the definitions in place has allowed the licensing of some organizations whose charitable objectives and purpose are questionable.

Given the foregoing information as well as circumstances surrounding past charitable gaming revenue, the signing authority has the responsibility to decide the degree of access to be granted to the applicant. The term "degree" is used to designate the type of licence granted if more than one is sought, and also within either casino or bingo, the number of events for which the licence is granted. As an example, a hockey club with a proven need for charity funding during the winter months would receive a 26 event bingo licence and be replaced for the remaining 26 events by a softball association. Alternatively, another charitable group which could prove a year round need based on objectives and budget would receive a 52 event bingo licence.

4. EQUALIZATION OF ACCESS

The Commission takes the position that there is a definite need for a licensing system that will provide a degree of access for all eligible charities or non-profit societies. Such a process will consider the type of charity or non-profit society, i.e., proverty, religious, educational or community based activity, the number and type of persons to benefit from the funding, the objectives of the funding, and the present operating budget of the organization indicating all other sources of revenue. Financial accountability by the charities or non-profit societies is also required in this process.

In order to make this process credible and effective, the Commission must be satisfied that the money raised for an intended and approved purpose is spent on that purpose. In Chapter XII of this report entitled "Financial Control and Accountability", there is a description of the audit system that will account for funds raised through charity gaming. Failure to impose such a system will allow an indiscriminate and possibly inappropriate expenditure of charity funds.

A further basic premise of this licensing process, in order to provide equitable access to charities and non-profit societies, is a considerable degree of discretion which must be given to the Commission when approving licences. No process is perfect and the Commission realizes that discretion must be used to accommodate different requests. Consideration must be given to differences based on regional location and available fund raising means and access. It is conceivable that an application for a licence in one area would be accepted due to availability of access (a new bingo hall in a heretofore unserviced area) while in another area a similar request would get more restricted access due to pressure of access by other licensees.

The Commission is aware that the implementation of such a licensing procedure will both please and anger charitable and non-profit societies depending on their present access to funding. We do not see any initial drastic changes, but rather a phased in program that will allow affected organizations to revise their estimates of charity gaming revenue. The Commission will disseminate information to all potential and existing charity and non-profit societies, alerting them of the impending changes in access to charitable fund raising. This will enable those who have been denied access in the past to submit their requests and to advise those who currently have access that it may be adjusted over a period of time.

5. MULTIPLICITY OF LICENCES

A subject related to access to charity funding is that of multiplicity of licences. In this case, similar or closely related charity or non-profit societies raise funds for the same charitable objective. An example would be that of a men's religious group raising funds for a church building and the women's auxiliary doing likewise. The Commission was concerned that multiple licensing had created problems in certain areas throughout the Province. In September, the Terms and Conditions were amended to ensure that this practice would be stopped.

6. CONCLUSION

In conclusion, the Commission intends to introduce a system of licensing that will permit all recognized charities and non-profit societies access to funding. The degree of access will depend upon need in relation to available fund raising activity. This system will require budget submissions and follow up audit. An increase in the staff complement of the Branch will be required to ensure that this process occurs in a fair and orderly manner.

CHAPTER XV

ADVERTISING AND PROMOTION

1. INTRODUCTION

Weak advertising policies and general confusion regarding its limits have led to advertising abuses in the Province. These abuses have been reported from all areas of gaming, including the Public Gaming Branch, charity representatives, hall operators and patrons. All parties interested in settling advertising concerns are urging firmer guidelines and consequences, while the offending parties are enjoying uncertainty in the environment. Charities are continually pointing out infractions of other charities throughout the Province. Gaming publications are increasing efforts to attract advertisers and are creating pressured sales conditions and advertising wars particularly with bingo. This is also occurring with casinos.

In response to advertising pressures, some commercial hall charities are pooling advertising percentages to promote the popularity of their hall and to assure its survival. Advertising appears to be one of the few defences in an urban environment where uncertainty exists as to whether the gaming market is growing or if patrons are merely shifting their gaming location. In either case, gaming operators and charities feel obliged to embark on bigger and bigger advertising campaigns. In bingo, the smaller operations with inadequate funds for advertising are lost in the upwards spiral as patrons are attracted by larger crowds and promises of larger payouts. Many of these payouts are impossible without contravening the Terms and Conditions, and result in improper prize payouts.

In an effort to rationalize the advertising climate for gaming, the Commission has considered a variety of issues. These have emerged as a result of our requests for public input, our travels, and discussions in various locations in the Province.

2. STANDARDIZATION OF ADVERTISING

The Commission received many comments concerning the establishment of total cost ceilings for gaming operations and consequently limiting advertising ceilings. A sliding scale according to dollar volume or number of patrons was suggested to standardize these expenses. Smaller communities with smaller operations would have to be content with lower levels of advertising than urban communities.

The need for advertising standards will increase as competition intensifies and as patrons change locations to obtain the biggest prizes and best discounts on cards. Guidelines established by the Branch regarding advertising and promotion continue to be abused. This may lead to a breach of the Terms and Conditions.

The only information required in advertising is notice of where and when the event is to be held, and the name and licence number of the sponsoring charity. This functional approach is often held by the general public and policy makers. Alternatively, the gaming charities, hall operators and management companies feel that they have a right to promotional material over and above time and place statements. They also believe that creativity and good business are necessary in order to maintain and create patron interest in gaming, and to avoid making it a sterile environment for those working and those playing the games. It is between these two poles that advertising standards must be addressed.

As advertising costs increase, the share to the charity licensee begins to decrease. Thus, the Commission will be encouraging more aggressive and consistent enforcement to ensure that all gaming events are being promoted in equal fashion. Examples of acceptable advertising material will be provided to charities in an information package.

3. ENTICEMENTS

Enticements can be seen in gaming publications everywhere. They lure the consumer with big game choices and prizes in an aggressive "hard sell" fashion. These enticements take a number of forms. In casino advertising, persuasive Reno/Las Vegas type ads with scantily clad women promise entertainment and Nevada style gambling. In the bingo industry, splashy two page advertisements in bingo publications

offer free snacks, discount cards, guaranteed prizes, chartered buses, and door prize give-aways. These are designed to attract new players as well as those already attending other halls.

The Commission does not agree with advertising that includes "promises" or "guarantees" of prizes that have yet to be determined. Advertised guaranteed prize payouts are deceptive unless they state that the prizes are dependent upon the number in attendance. Free coffee, raffle tickets, door prizes and other attractive possibilities may be grossly unfair to those charities and hall owners who do not supply any.

Such enticements have already led to excessive competition, false advertising and extreme advertising price wars, particularly in bingo. The escalation of these enticements is seen to have long term negative effects on the gaming industry as it creates a distorted picture of the true nature and benefits of charitable gaming.

Those charities and operating companies who continue to use aggressive and deceptive promotional campaigns will be the subject of increased scrutiny by the Branch. They may also face possible licence revocation by the Commission.

4. CHARITY REPRESENTATION

The name of the charity should be highlighted in advertising and well represented at gaming events. This does not always occurr. In fact, some gaming operators are actively trying to remove the charitable presence under the pretense that it is more effective and efficient without them. The public must be made aware that it is only through the charity that the licence may be obtained, and that it is only on behalf of the charity that gaming can take place in this Province.

More information and education is needed to ensure that the management of gaming events is not removed from the control of charities.

5. OPERATING COMPANIES AND ADVERTISING

The Terms and Conditions clearly assign the advertising responsibility to the charity for bingo and the casino owner for casino operations. In bingo this places the charity in a "forced" contribution and expenditure position if advertising is to occur. In theory, however, this allows the charity to control the advertising content. The bingo hall enjoys "free advertising" and benefits from this arrangement, particularly when the owner has too much influence and dictates exactly what will appear in the promotion.

The Commission has reached a consensus that charities should decide the size, cost and content of advertising with little intervention from the operator. The operator may advertise location, parking and facility amenities, without mention of prizes. Given that bingo advertising is obtained from the charity's portion of gross receipts, their causes should be first and foremost in advertisement. However, an examination of numerous bingo advertisements indicates that this is not the case. The hall is featured in the largest print, followed by facility amenities and jackpots. Finally, in very small print, is the name of the charity. In some cases only the initials of the charity and its licence number in miniscule lettering are shown.

Commercial bingo halls who have charity advisors must assure the Commission that advisors are representing the interests of the charities rather than the hall operators in all advertising decisions. As the gaming industry is best judged by the integrity and quality of those who operate within it, the inclusion of more factual information in gaming advertising should be encouraged.

6. CONCLUSION

It is important that patrons realize the purpose of their activities. The focus of advertising, promotions and operations must be as much on the charitable organization and its cause as on the gaming itself. False and unfair advertising, both in costs and content, should be actively discouraged.

Currently, there are controversial Branch guidelines for advertising (see Appendix "J") which the Commission has reviewed. These will be strengthened, refined, and included in the Terms and Conditions.

CHAPTER XVI

B.C. STEAMSHIP SLOT MACHINES

1. INTRODUCTION

In 1975, the B.C. Steamship Company was incorporated at which time the *Princess Marguerite* and the terminal were purchased from the Canadian Pacific Railway. Funding for this expenditure was a decision of Treasury Board as was the subsequent purchase of the *Vancouver Island Princess* (VIP).

Operationally, revenues generated from fares defray expenses. During the peak months of July and August the approximate one thousand (1,000) passengers brought to Victoria daily increase revenues to secondary and tertiary tourist industries in the community, in addition to B.C. Steamships.

However, for the years 1984, 1985, and 1986 there was an annual decrease of 12% per year in fares, for a total of 36%. In addition, the problem of escalating annual refit and start-up costs had to be addressed.

The Corporation needed to provide an attraction to increase fares. Two solutions were identified. One was to operate a second ship with a carrying capacity for overheight vehicles. The second was the installation of slot machines on the *Princess Marguerite* and the *Vancouver Island Princess*.

2. AUTHORITY

Two types of casino operation are permitted under section 190 of the *Criminal Code* of Canada — those conducted and managed by the government of a province, and those conducted and managed by a charitable or religious organization pursuant to a licence issued by the province. The operation of slot machines aboard the B.C. Steamships *Princess Marguerite* and the *Vancouver Island Princess* fall solely to government.

3. ORGANIZATION

The B.C. Steamships is a Crown Corporation. The Chief Executive Officer reports to the Board of Directors which is chaired by the Attorney General.

4. INITIAL PUBLIC OPINION

Initially, the service and tourist industry in Victoria was reserved. They felt that the patrons on board ship would spend monies on the ships which should be spent in Victoria. This concern was reduced when it was learned that patrons on board ship only spent four dollars ($4.00) on average. The average expenditure on the slot machines was thirty-five dollars ($35.00), although not all patrons played the slots.

5. OPERATIONS

Both the *Princess Marguerite* and the *Vancouver Island Princess* (VIP) operated from 9 May 1987 to 4 October 1987 on their regular schedules between Victoria and Seattle.

Passenger volumes have shown approximately 27% increase over the same period last year. This increase is due to

(1) Second ship on the line — VIP,

(2) Inclusion of slot machines,

(3) Capacity to carry overheight vehicles — VIP.

Vehicle and passenger traffic on the *Princess Marguerite* has remained constant in 1987; this traffic constitutes 75% of the total fares. Each trip has operated at approximately 75% capacity.

The VIP started off the season slower, carrying approximately 40% capacity. However, over the period of June to August, the fares have increased by 25%–30% each month. The VIP accounts for 25% of the total fares.

6. SLOT MACHINES

All the slot machines employed on the B.C. Steamships are leased from International Gaming Technology Incorporated, (I.G.T.I.) Reno, Nevada. They constitute both poker machines and the conventional machines for both twenty-five cents ($0.25) and one dollar ($1.00). They operate by electronic and electro-mechanical mechanisms.

There are two full time mechanics servicing the slots, cash registers and computer programmes both of whom are employees of B.C. Steamships. The senior mechanic received his training in the military as well as in the private sector. He also attended International Gaming Technology Incorporated in Nevada. The second mechanic gained experience in the private sector servicing video games, cash registers, and other electronic equipment, and from on-job-training with I.G.T.I. In addition, representatives from I.G.T.I. came to Victoria to work with both mechanics training them on site.

The slot machines are only operated while the ships are in Canadian jurisdiction. This amounts to 2 of every 4¾ hours of the trip. For the balance of the trip, the ships sail through waters controlled by Washington State.

The *Washington State Gambling Act* prohibits all slot machines and permits casino gaming only by licensed charitable or non-profit organizations. It also provides the authority for any county to prohibit any type of legal gaming in its area or to inspect and tax any gaming it does allow. The ferries sail through waters within the boundaries of King, Island, Clallam and Snohomish counties. In practice however, cruise ships are known to continue their activities well into Washington State waters. B.C. Steamship Company has a letter of agreement from the Washington State Gaming Commission which allows the Company to operate casinos within three miles of Washington State shoreline.

It has been suggested that the same sort of courtesy extended to cruise ships visiting Washington might be granted to B.C. Steamships. However, the Director of the State Gaming Commission has stated that there is no special exemption for cruise ships; all cruise ships must close and secure their casino operations as soon as they enter Washington State waters.

Boarding passengers in Victoria can play the slot machines for one hour before the ship leaves port. Boarding passengers from Seattle must wait for the ships to enter non-restricted waters before being permitted to enter the gaming room.

Revenues on slot machines are a function of the potential of the machines or percent "hold" and the utilization rate. The latter (dependent variable) is a function of the number of times the handle is pulled per minute and the number of tokens inserted multiplied by the number of minutes of permitted operation. The utilization is then multiplied by the theoretical "hold" to determine the house's earnings. The independent variable is the number of patrons.

The potential of the machines or "hold" is fixed at a constant rate. The utilization rate, although influenced by the patron usage can be varied by increasing the time available to play. This is effected by operating the ships at a slower rate of speed in Canadian waters and faster in American waters.

For the first month there were several breakdowns of the slot machine. This was due to two factors. First, the machines had been shipped to Victoria and as a result had suffered "unsettling" effects which required adjustments. Second, the constant vibrations aboard the ships caused failures. As an example, screws from the frame on the machines were vibrated loose.

These initial breakdowns required a mechanic to remain aboard the ships on weekends and be available in port on the weekdays. Since July, the number of breakdowns has dropped. Mechanics are no longer required to travel with the ships. Any repairs are completed while in port. Minor breakdowns such as jams are corrected by the staff.

7. JOBS CREATED

As a result of the slot machines being operated aboard the B.C. Steamship Company vessels, there have been eight (8) on board casino staff positions and seven revenue clerk positions (all seasonal) created. In addition, one full-time and one seasonal mechanic position has been created for a total of seventeen positions.

8. PRINCESS MARGUERITE

The *Princess Marguerite* has a carrying capacity of one thousand eight hundred (1,800). However, only 1400 passengers would be carried at any one time due to operational constraints.

There are fifty-seven (57) slot machines in the Princess Room located in the aft in a room which measures approximately 926 square feet. There is constantly a line up to play these slot machines, often 100 persons long. Some patrons have waited for one hour to play.

9. VANCOUVER ISLAND PRINCESS

The VIP has a carrying capacity of one thousand (1,000) passengers. Ninety-five (95) slot machines are located on the boat deck midship in a room which measures approximately 1,600 square feet. There has never been a line up to access the gaming room, although, once inside some patrons have had to wait for a specific machine.

10. PUBLIC RESPONSE

Two types of surveys have been conduct on board ship by the B.C. Steamship staff. The initial survey asked three basic questions:

(1) Did you take this trip because of the casino?

(2) Did you use the casino and would you use it again?

(3) Any comments you wish to make?

The survey responses were divided into Canadian patrons and American patrons. The results of this survey effective 28 August 1987 are noted in Table 1.

TABLE 1
Casino Survey On Board Ship

	Yes	Canadian Passengers	Other (Most USA)
Did you take this trip because of the casino?	29%	63.4%	36.6%
Did you use the casino and would you use it again?	92%	37%	63%
Adverse Opinion to casino	8%	31%	69%

N = 660

Source: Ray Young, B.C. Steamship Company.

Most comments have requested poker machines for variety and table games such as blackjack. Specific to the *Princess Marguerite* are suggestions to increase the size of the gaming room and have more slot machines available.

A second survey with greater detail and attention given to characteristics of the trip, the ship, and travelling features has recently been initiated in conjunction with the Ministry of Tourism, Recreation and Culture. The results of the survey are not yet collated.

11. "SPECIAL EVENT" CRUISES

CFAX Radio station in Victoria has chartered more than a dozen private cruises since May. All cruises to date have been sold out with maximum attendance of 400 passengers. The cruises have included dinner and entertainment in addition to the slot machines.

12. SECURITY

There have been no major breaches of security in the operation of the slot machines. Minor incidents include the use of Las Vegas Casino dollar coins in the slots, the use of one brass B.C. Steamship logo token, and the unsuccessful attempt at using a twenty-five cent coin. The latter was rejected by the slot machine.

No criminal activities associated with casino operations in the United States such as purse snatching assaults, or disturbances have occurred.

13. CONCLUSION

The implementation of the slot machines on the B.C. Steamships has achieved the objectives. For the first time in four years the Corporation is showing an increase in the number of fares; this relates to increased revenues from the fares and the slot machines. It also relates to increased tourists to the Victoria community. All other indicators such as user response, public opinion, jobs created, and secondary community benefits are also positive.

14. RECOMMENDATIONS

The following recommendations are made to the B.C. Steamship Company for their consideration:

1. That the slot machine experiment be confirmed as a success and be given permanent status with the B.C. Steamships and that the Corporation consider a full casino operation;
2. The current conditions for control, accounting, and security be maintained;
3. Better utilization be considered. Currently the slot machines are being operated for five (5) of twenty-four (24) hours, and for only five (5) months of the year;
4. Increase the capacity of the *Princess Marguerite* to hold more than fifty-seven (57) slot machines;
5. To increase flexibility, reconfigure the VIP to provide accommodation on board for the crew. This would allow the ship to remain overnight in Seattle, or other ports as may be required;
6. The gaming activities of the B.C. Steamship Company should be subject to the regulations of the B.C. Gaming Commission and the Public Gaming Branch.

CHAPTER XVII

THE POLICE POSITION ON GAMING IN B.C.

1. INTRODUCTION

The Commission has recognized from the outset that input from, and attention to the concerns of British Columbia law enforcement officials in respect of charity gaming, social clubs and fairs and exhibitions was and is essential. We made contact with the British Columbia Association of Chiefs of Police (BCACP), and on other occasions for specific purposes with individual police forces and officers. In addition there is ongoing dialogue between the police and the Branch.

We value this liaison and the advice we receive and we consider it extremely important in helping us structure policies, guidelines, terms and conditions, etc. which will ensure that organized criminals will not infiltrate the charity gaming industry. The Commission is unable to establish any link between the presence of casino or commercial bingo hall operations in the community and community crime at this stage. We cannot, unfortunately say the same with respect to social clubs and fairs and exhibitions although we do not believe the situation there is at all critical or incapable of appropriate regulation. With respect to all four of these areas of gaming activity we are in need of, and intend to cultivate a close supportive relationship with police throughout the Province.

The Commission requested a position paper on gaming from the British Columbia Association of Chiefs of Police as input for this report. They have responded in a very useful fashion and we consider their contribution to be such that it will form a separate chapter of this report.

2. CONCLUSION

The Commission is grateful to the BCACP for their advice and it is noted that we share the majority of their concerns. Much of what they recommend has been addressed elsewhere in this report.

BRITISH COLUMBIA ASSOCIATION OF
CHIEFS OF POLICE

32225 South Fraser Way
Clearbrook, B. C.
V2T 1W6

1987 November 10

Chairman
B. C. Gaming Commission
848 Courtney Street
Victoria, B. C.
V8V 1X4

Dear Sir:

RE: The Position of the British Columbia Association of Chiefs of Police on Gaming in British Columbia

Some time ago the Commission called for submissions on the issue of charitable gaming in the Province of British Columbia. Subsequent to that you were kind enough to allow Mr. Venner to address the Association at our meeting in Kelowna. We also received a presentation from the Director of the B. C. Gaming Branch and the Director of Coordinated Law Enforcement Unit.

Following these presentations, the B.C.A.C.P. adopted a motion to examine the issue of public gaming in British Columbia and provide a written submission to you for your consideration.

The submission prepared by a committee representative of the B.C.A.C.P. is attached.

Yours truly,

J. A. Stewart
President
B. C. A. C. P.

JTAS:dc
attach.

cc: Supt. G. O. George

VANCOUVER

POLICE DEPARTMENT: 312 Main St., Vancouver, British Columbia, Canada V6A 2T2, Tel. (604) 665-3535 Telex 04/53322

R.J. Stewart
Chief Constable

87.10.30

Chief J. T. A. Stewart
Matsqui Police Services
32225 South Fraser Way
Clearbrook, B.C.
V2T 1W6

Dear Sir:

Re: The Police Position on Gaming in B.C.

Please find attached a report prepared for Chief Constable R. J. Stewart and Chief Superintendent Kereluk which details the police perspective on the captionally-noted subject.

I am of the understanding that upon receipt of the report you will forward same to the attention of the Gaming Commission.

Yours truly,

R. McNeney,
Acting Deputy Chief Constable
Bureau of Operations

RECEIVED
NOV - 6 1987
MATSQUI POLICE

THE POLICE POSITION ON GAMING IN BRITISH COLUMBIA

INTRODUCTION

Gaming, of necessity, means that substantial amounts of cash will be present at premises where these activities take place. The opportunities for laundering money, internal theft, cheating and collusion are always present. In order to minimize these opportunities, it is essential that gaming is strictly controlled from the outset. It will be easier to prevent these problems by high profile monitoring, auditing and enforcement than to attempt to eliminate the problems should they be allowed to establish themselves in the gaming industry.

Each type of gaming is listed separately together with the problems and recommendations unique to that particular activity.

A. BINGO GAMES

Bingo games are licensed under section 190 (1) (B) of the *Criminal Code*.

Commercial premises are rented by charities holding a licence to operate fifty-two (52) bingo games per year. There are eighty-seven (87) commercial halls in the Province; each operating a minimum of three (3) games per week.

Problems

1. There are no age restrictions covering persons taking part in bingo games.
2. Several bingo halls use telephonic hook-ups to combine games. This increases the number of participants and therefore, decreases the opportunity to win. Telephonic hook-ups prevent effective monitoring, confirmation and verification of winning cards.
3. Bingo hard cards are reusable permanent bingo cards, not serialized, which are used in several bingo halls. This type of card allows for fraud and cheating, i.e., counterfeiting, altering, and the inability to audit the number of players, cards and cash flow.

Recommendations

1. The minimum age for a person to enter or be in premises where a commercial bingo game is being held should be 19 years.
2. The Public Gaming Branch (P.G.B.) should control the distribution of government bingo cards.
3. Permanent hard bingo cards be eliminated. Only approved, commercially printed and consecutively numbered disposable cards should be used.
4. All bingo halls and persons owning or operating such halls should be registered and licensed with the P.G.B.
5. Only in-house bingo operations should be permitted. Telephonic hook-ups between bingo halls should be eliminated.
6. The control and operation of bingo games should remain with the charity holding the licence and should not be contracted to a bingo management company.

B. CASINOS

We understand that the B.C. Gaming Commission is responsible for the licensing, inspection and enforcement of all regulations pertaining to casinos.

Presently, there are thirteen (13) casino companies in the Province of which seven (7) are located in the Lower Mainland.

Licences for an event are drawn by lot. There are twelve three-day licences issued per week in the Lower Mainland. It is understood this will be changed to eighteen two-day licences in order to allow more charities to participate. The three-day licences will be continued in other areas of the Province.

A charity is allowed to apply three times in one calendar year.

A "charitable object or purpose" is defined, under the current regulations as:

(i) relief of poverty;

(ii) advancement of education;

(iii) advancement of religion;

(iv) other purposes beneficial to the community.

Problems

1. Several casinos have inadequate security provisions to protect cash and chip banks against robbery and internal theft.
2. Intelligence indicates that there have been incidences of collusion and cheating by casino personnel. We anticipate this will become an increasing problem as the industry grows.

Recommendations

1. The minimum age for a person to enter or to be in a casino should be 19 years.
2. The Public Gaming Branch (P.G.B.) should investigate and license all casino management companies and such company personnel as the P.G.B. deem necessary.
3. The P.G.B. should investigate all charitable organizations applying for a casino licence.
4. Casino management companies be required to provide a separate area at each casino location to provide security for cash counting and cash dispensing.
5. A better and/or fuller definition of charitable organizations to exclude those which are not qualified, i.e., rugby teams.
6. Rather than issue licences for an event through "draw by lot", establish a fairer way in order that all charitable organizations have an equitable chance of obtaining a licence.

C. DESTINATION CASINOS

We understand that consideration is currently being given to establishing "Destination Casinos" (i.e., permanent casinos in selected locations).

Problems

1. As for other casinos.
2. A possible negative effect on the locality depending upon the sensitivity with which the location is selected and the manner in which the casino is operated.

Recommendations

1. As for other casinos.
2. Permanent casinos be operated directly by the Province.

D. SOCIAL CLUBS

The licensing responsibility rests with the Public Gaming Branch of the Attorney General's Ministry under section 179 (2) of the *Criminal Code*. Presently, British Columbia is the only province in Canada that licenses social club gambling although such activity reportedly occurs in all provinces.

Problems

1. The absence of thorough monitoring, inspections and controls has allowed some social clubs to operate as businesses for the benefit of the proprietor and not totally for the club membership.
2. Police investigations have shown that persons with criminal records are often associated with the clubs.

Recommendations

1. The minimum age for a person to enter or be in a social club should remain at 19 years.
2. The hours of operation of social clubs should be uniform throughout the Province.
3. Social clubs shall be audited with sufficient regularity to eliminate proprietorship.
4. Develop regulations/guidelines of operations to allow greater accessibility by a control agency for the purpose of monitoring and/or auditing. At present, by the time entry is gained, because of warning systems, monitoring becomes a useless exercise.

E. FAIRS AND EXHIBITIONS

Fairs and exhibitions are licensed under section 190 (1) (c) of the *Criminal Code*.

The licence may cover casinos, ticket lotteries, bingos, wheels of fortune and games of chance. Licences are also issued to carnival commissionaires to operate these games of chance.

Previous experience has demonstrated that police monitoring and enforcement is essential to maintain the integrity of the Fair.

Problems

1. Widespread skimming, cheating and influencing or adjusting the "edge" (odds) of play.

Recommendations

1. The hours of operations should be restricted to conform with all other gaming.

F. CHARITABLE LOTTERIES

Charitable lotteries are licensed under section 190 (1) (b) of the *Criminal Code*.

We have identified no problems in this area and recommend that the current policies and procedures continue unchanged.

G. PROVINCIAL LOTTERIES

Provincial lotteries are authorized under section 190 (1) (a) of the *Criminal Code*.

The Lotteries Branch is a Crown Corporation and is the sole distributor of bingo papers (cards) and instant lottery tickets (commonly referred to as "Nevada Cards", i.e., cards having three removable strips which are redeemable against prizes for having the winning combination of pictures under the removable strip).

We have identified no problems in this area and recommend that the current policies and procedures continue unchanged.

Recommendations

1. All gaming activities, i.e., 6/49, should come under the B.C. Gaming Commission to avoid division of control/monitoring/organization responsibilities.

OVERALL RECOMMENDATIONS

1. The B.C. Gaming Commission (B.C.G.C.) oversee all forms of public gaming authorized and licensed under Part V of the *Criminal Code*.
2. The B.C. Lotteries Corporation should remain a Crown Corporation directly responsibile to the B.C.G.C.
3. The Public Gaming Branch, under direct control of the B.C.G.C. should be responsible for licensing, auditing and enforcement in relation to:
   - — Charity casinos;
   - — Bingo games;
   - — Fairs and exhibitions;
   - — Social clubs, and;
   - — Charity lotteries.
4. The Compliance Unit, if a special unit is required, should be a integral part of the P.G.B.
5. All functions of a regulatory nature should remain the responsibility of the P.G.B.
6. All monitoring of criminal activities and enforcement should remain the responsibility of the police.
7. In conclusion, the B.C. Gaming Commission should provide an appropriate number of personnel committed to performing all the regulatory functions inherent with approved forms of gaming in British Columbia.

"SIGNED ORIGINAL ON FILE"

For: R. J. Stewert
Chief Constable
Vancouver Police Department

K. T. Kereluk
Chief Superintendent
Contract Policing
"E" Division

APPENDIX A

Province of
British Columbia

NEWS RELEASE

April 1, 1987

Attorney General Announces Appointments to Gaming Commission and New Gaming Regulations

Attorney General Brian R. D. Smith, Q. C., today announced the appointment of members to the British Columbia Gaming Commission and the introduction of interim rules governing gaming for charitable organizations. The Minister also announced a total review and reconsideration of casinos for charitable purposes.

The appointment of Mr. Richard Macintosh, as Chairman of the British Columbia Gaming Commission, was announced in the recent Throne Speech. Mr. Smith advised of the following additional appointments to the Commission.

"Mr. Tom Venner will serve as Vice-Chairman of the Gaming Commission", said the Attorney General. "Mr. Venner, formerly Deputy Commissioner of the R.C.M.P. and Commanding Officer of British Columbia's "E" Division, has extensive experience in law enforcement and administration and will provide invaluable experience for the Commission", said Mr. Smith. Other members appointed to the Commission include:

721

Marianne Crockett of Trail

C. Ellison Framst of Fort St. John

Derrick Humphreys of West Vancouver

Vicki Kuhl of Victoria

Bernard M. Smith of Burnaby

"The calibre of individuals who have agreed to serve ensures appropriate licensing and enforcement programs in public gaming in the Province", said the Attorney General.

Mr. Smith also introduced interim terms and conditions for gaming involving charitable organizations in the Province. "These regulations will continue until modified by the Commission and will be effective May 1, 1987.

The rules deal with bingos, casinos and ticket lotteries conducted by charities and gaming at fairs and exhibitions. They incorporate the Commission as the authority for licensing and control.

Bingo regulations encourage the practice of some charities in banding together in the operation of events and distributions of proceeds. There are only minor administrative changes proposed for ticket lotteries or raffles. Regulations also confirm terms and conditions of licensing for gaming events at fairs and exhibitions.

"Government has a major concern with the growth of current casino activity in the Province," said the Attorney General. Accordingly, the changes that are proposed in the rules are not intended to stimulate any growth in the industry but merely to ensure that those charities now involved in casino gaming realize adequate earnings. The Commission has been requested to review the options for casino gaming and report to Government no later than November 30. While this review is underway, no additional licenses will be issued to charities which have not involved themselves with casinos in the past and no licenses will be issued for casino events at locations other than those presently in operation and where they have already taken place.

Interim casino rules establish a minimum percentage (50) of gaming proceeds for charities and limit expenses that may be charged to charities for the conduct of these events. The bet limit at casinos has been reinstated to $5.00, existent in early 1986.

The Attorney General noted that the proposed bet limit remains significantly lower than in the other Provinces involved in charity casino activity. "The bet limit itself has not been a problem, " said the Attorney General, "but it was pointed out

by policing authorities in the Province that the major problem has been a lack of effective enforcement."

The Attorney General announced he will strengthen the Public Gaming Control Branch. A recruitment competition will be held immediately for the position of Director of the Branch and additional resources will be retained in the enforcement, inspection and financial control areas.

"As a fundamental principle" said Mr. Smith, "it is not the intention of this Government to encourage an unregulated growth or expansion in gaming activity in B. C. but to provide a policy framework within which selective options may be pursued."

"The law of Canada does not allow for business owned, profit oriented gambling, such as found in Las Vegas or Reno. Private sector ownership and operation of gambling establishments for profit is not permissible by law, and even if it were, it is not the choice of this Provincial Government" said the Attorney General.

The Attorney General advised that the British Columbia Gaming Commission has been requested to review and consult with the parties involved in gaming for charitable activity. "Our primary objective," said the Attorney General, "will be to

ensure that charitable and non-profit organizations, which benefit enormously from approved gaming activity, earn the maximum revenue for their worthwhile endeavours on behalf of British Columbians." With that basic principle guiding the work of the Commission, the Attorney General requested the Commission undertake a number of specific tasks, including:

1. A comprehensive report, no later than November 30, on the desirability of continuing or modifying casino activity in support of charitable organizations. This comprehensive report will also involve the Ministry of Tourism, Recreation and Culture in a joint assessment of the desirability of policy for destination resort and tourism oriented gaming activities. The report will also assess the impact on tourism of the introduction of casino rooms aboard B. C. Steamship's service between Seattle and Victoria.

2. Proposals for policy for the licensing of service companies utilized in charitable gaming activities;

3. Development of policy for the bonding of personnel associated with supply firms;

4. Review policy to strengthen the financial accountability of companies supplying services for charities;

5. The development of a program for the training and certification of gaming company employees, with assistance from the Justice Institute of British Columbia;

6. Training and information programs for representatives of charities who wish to engage in gaming activities for fund raising;

7. Development of policy to ensure equitability of access for charities to fund raising opportunities through gaming, particularly casinos;

8. The development of appropriate standards for advertising and promotion of charitable gaming activities;

"I am confident that the British Columbia Gaming Commission, and other initiatives planned by the Government, will provide an appropriate regulatory framework for existing gaming activity in the Province. Improved enforcement policy will ensure that charities maximize income. In the last four years, charities have earned in excess of $115,000,000 from

this type of activity. It is essential, given the importance of this source of fund raising, that Government assist with vigilant enforcement and regulatory policy", said Mr. Smith.

APPENDIX B

APPENDIX B

DEFINITIONS

(Part I)

1.01 For the purpose of these Terms and Conditions and unless the context otherwise indicates:

(a) "association" means an organization comprised of bingo licensees established pursuant to section 3.07;

(b) "auditor" for the purposes of these Terms and Conditions, means a person who is

(i) a member, or a partnership whose partners are members, in good standing of the Canadian Institute of Chartered Accountants or the Certified General Accountants' Association of British Columbia; and

(ii) an "independent" auditor as defined in section 207 of the *Company Act*, R.S.B.C. 1979, chapter 59;

(c) "bingo" means the game known as bingo;

(d) "casino gaming" means games known as blackjack and roulette and approved forms of wheels of fortune played at a function held by a licensed organization;

(e) "casino management company" means a company which provides a casino site, management, equipment and professional personnel for the purpose of conducting a casino gaming event;

(f) "Charitable Community Association" means a bingo hall or association run by or in total control of charitable or religious organizations licensed to conduct bingo (see section 3.19);

(g) "charitable object or purpose" means an object or purpose which comes within one of the following classifications of charity:

(i) relief of poverty;

(ii) advancement of education;

(iii) the advancement of religion; and

(iv) for other purposes beneficial to the community (this includes a purpose where the benefits derived are available to a significant portion of the community and, without limiting the generality of the foregoing, may include the provision and support of public recreation, picnic areas, playgrounds, cultural activities, athletic facilities and amateur sport);

(h) "commercial bingo hall" means a hall which is utilized primarily for bingo;

(i) "Commission" means the British Columbia Gaming Commission;

(j) "fair or exhibition" means an event which has been designated pursuant to section 190 (1) (c) of the *Criminal Code* of Canada;

(k) "gross receipts", for all events other than casinos, means all monies derived from the lottery event before any expenses, including prizes, are deducted. In casino events "gross receipts" means all monies produced as a result of the gaming activity, which is known in gaming circles as the "win";

(l) "licence year" means

(i) in the case of bingo lottery licences, the 12 months following the commencement date of the lottery as set out in the licence. In the event of a licence being issued for a time period encompassing less than a year, this term shall mean the licence period. If several short term licences are granted to an organization, they shall be combined until a period of a year elapses. The latter shall then comprise the licence year for financial statement purposes; or

(ii) in the case of ticket and casino lottery licences, the calendar year;

(m) "licence" means the licence issued by the Commission;

(n) "licensee" means any organization holding a licence;

(o) "lottery/gaming" means a bingo game, a casino or a ticket lottery (the words lottery and gaming are interchangeable for the purpose of these Terms and Conditions);

(p) "Minister" means the Attorney General;

(q) "organization" means an organization with a charitable object or purpose;

(r) "P.G.B." means the British Columbia Public Gaming Branch of the Ministry of Attorney General;

(s) "pyramiding" means the carrying over of a prize, or a portion of a prize award, from one lottery occasion and adding the carry-over to the prize award or awards to be offered at the next or subsequent lottery occasion;

(t) "ticket lottery" means the gaming activity also known as a raffle;

(u) "TV, newspaper or radio bingo" means a bingo game which extends over a period of several days or weeks, and where one or more numbers are called, printed or exposed on a regular basis until such time as a bingo is completed (see section 2.03).

GENERAL

(Part II)

2.01 Organizations will only be issued a licence if they

(a) have been registered for a minimum of 12 months preceding the application and are in good standing at the time of application under the *Society Act*, chapter 390, R.S.B.C. (this subsection does not apply to a B licence, see section 2.02 (b); or

can substantiate with supportive documentation, to the satisfaction of the Commission, a contribution or service rendered to the community for a minimum of 12 months prior to the application; and

(b) demonstrate a need to raise funds for a charitable object or purpose.

2.02 (a) Applications for an A licence for bingo or ticket lottery events where total prizes exceed $500.00 and for all casino events, will be submitted to the Commission;

(b) Applications for a B licence for a single-event bingo or ticket lottery where total prizes do not exceed $500.00 may be submitted either to the P.G.B., or to the Government Agent of authority in the area where the applicant functions.

Organizations may be granted up to five bingo B licences or three ticket lottery B licences in a calendar year. Total prizes from all B licensed gaming will not exceed $2,500.00 in a calendar year. The total gross receipts from a ticket lottery may not exceed $2,000.00

2.03 Television, radio and newspaper bingos will be licensed as a ticket lottery and not as a bingo lottery held in a hall, except, however, a live T.V. telecast or radio bingo(s), conducted until a winner is determined, will be licensed as a bingo event.

2.04 Each application for a licence will be submitted on an application form approved by the Commission and accompanied by the required licence fee.

2.05 Licensed activity will be confined in location to the community or geographic area in which the licensee is located and/or where the community can be expected to benefit from the funds raised. The Commission may, in certain circumstances, allow casino events to be held outside of the organization's community or geographic area under the following conditions:

(a) Uniqueness of location;

(b) The licensee must be an organization which can demonstrate province-wide application of proceeds.

2.06 The licensee will make available all books of account pertaining to the conduct of any lottery upon request for inspection by such persons as the Minister may designate or a peace officer. Such persons will, at all reasonable times, have access to inquire into the conduct, management, operation

of, or participation in the proceeding for which the licence has been issued, either prior to, during, or after the conclusion of such proceedings.

In instances where the Commission or the P.G.B. requires further clarification of accounting manners, the Branch will request access to the general or any other such accounts or records of the licensee. Refusal to produce the required data or information will result in the immediate suspension of the licence to which the books relate, or any other licences issued to the same organization and any licence applications pending.

The licensee will produce the licence upon request of the P.G.B. or by a peace officer.

2.07 The licensee will disburse the charitable funds raised through the operation of the lottery directly to the charitable object(s) set out in the application.

2.08 All lottery generated funds will be disbursed within the Province of British Columbia. The Commission may, at the time of the application for the licence, decide that in certain circumstances the public interest would be served by waiving this requirement.

2.09 Minimum charitable contribution requirements will be met for each licensed activity. Funds from other sources will not be used to enable charitable contributions to reach percentage levels required by these Terms and Conditions.

2.10 Except as otherwise provided for in these Terms and Conditions, a licensee will not pay wages, salary, or other monetary consideration, either directly or indirectly, to any person for managing, conducting, or assisting at any licensed lottery event.

2.11 No licence will be transferred or assigned.

2.12 A licensee who operates a lottery in breach of any of the Terms and Conditions of its licence may be subject to an immediate suspension of the licence by the Commission or the P.G.B. to which the breach relates, any other licence issued and any licence application pending.

2.13 The organization managing or conducting a licensed lottery will retain all unsold tickets, counterfoils, cards, game forms, and financial documents for a period of 24 months from the expiry date of the licence unless specifically exempted by the P.G.B.

2.14 The licensee will submit a financial statement to the P.G.B. on a prescribed form within 30 days of the expiration of a licence. Yearly bingo licence holders will submit quarterly interim financial statements as well as the year-end financial statement. The interim statements will be submitted within 14 days of the end of each quarter of the licence year.

2.15 Each licensee will:

(a) keep a separate record of all monies taken in and all monies paid out (including prize payouts) in respect to each licensed lottery for two years beyond the expiration of the lottery event;

(b) operate a separate "trust bank account", specified at the time of application for a licence, for each lottery activity;

(c) deposit all proceeds in the appropriate account, with the exception of a bingo, in which case prizes may first be paid from the proceeds. The remainder of the proceeds will then be deposited immediately after the event;

(d) make all disbursements, including all expenses (with the exception of bingo prizes), by cheque from the appropriate trust account;

(e) deposit only the funds raised through the particular lottery activity into the specified trust account. No disbursements, including expenses (with the exception of bingo prizes), associated with the particular lottery activity will be made except by cheque from the specified trust account; and

(f) not accumulated funds for special projects without the prior approval of the P.G.B.

2.16 Where the gross receipts in a licence period exceed $150,000.00, the licensee will submit an audit prepared by an independent auditor, complete with the audited statement, opinion letter and any management letter pertaining to the audit, directly to the Commission.

2.17 The Commission or P.G.B. may require a licensee to provide an independent audit of any licensed lottery activity.

2.18 An organization wishing to cancel a licence will do so before the starting date of the lottery or, in the case of a ticket lottery, before the effective starting date as noted in the licence. Failure to comply with the foregoing will result in the forfeiture of the licence fee. To obtain a refund of the licence fee the P.G.B. will be advised of the cancellation in writing and the original licence returned to the Branch.

2.19 The name of the licensee, and the licence number, will be included in all advertising material relating to the lottery event.

2.20 The Commission may amend a licence. A licensee will submit a written request and obtain permission in writing from the Commission before an amendment may be made to an existing licence. Such written requests must be delivered to the Commission at least 21 days before the scheduled amendment.

2.21 A licence will be subject to such additional Terms and Conditions as the Commission may specify.

2.22 The Commission may restrict, control or specify the number of licences for any events or locations on a municipal, regional or geographic basis.

2.23 The Commission may require that all commercial bingo hall operators and casino management companies be licensed pursuant to section 2.22 and subject to investigation and inspection by the Public Gaming Branch.

BINGO

(Part III)

3.01 An organization conducting a bingo event will publicly display its current and valid licence in the premises in which the bingo event is being held.

3.02 No organization will provide for the playing of bingo games on more than 52 occasions in any one licence year and not more than 30 games on any one occasion, except as specifically authorized in the licence.

3.03 All players at a bingo occasion will be seated in the same building or controlled outdoor area with the bingo caller, except as specifically authorized in the licence.

3.04 The licensee will not rent a facility for bingo which attempts in any way to restrict the number of games, or reschedule playing dates provided for in the licence, unless approved in advance by the Commission.

3.05 A licensee will ensure secure storage is available for bingo supplies in any hall rented for a bingo occasion.

3.06 A licensee conducting bingo games will ensure that:

(a) only volunteer personnel from the licensed organization manage, conduct or assist in the conduct of any bingo occasion (except for specific exemptions provided for elsewhere in these Terms and Conditions);

(b) only the licensee controls the bingo event and has total control of all chase transactions;

(c) only the licensed organization advertises or promotes the bingo occasion;

(d) the fee to be paid for use of the bingo premises will be a specific flat rate or a levy based on attendance. Where a rate based on attendance is agreed to there will be a flat maximum rate identified in the rental agreement for each specified occasion. No fee based on a percentage of receipts will be permitted. Any other service including janitorial duties, set up of the hall, or concession operations will be included in the rental agreement and will be clearly defined;

(e) the licensee will not involve the owner of the hall, his agents or employees, in any capacity in respect of conduct of the games unless the licensee is also the owner of the hall;

(f) all rental or other agreements with a hall owner will be in writing and will be presented upon request of the P.G.B.

3.07 Licensees conducting bingo in the same hall may form an "association" to deal with items of common interest. Such items may include:

(a) procurement of a facility, supplies, advertising;

Province of
British Columbia

B.C. Gaming
Commission

848 Courtney Street
Victoria
British Columbia
V8V 1X4

B U L L E T I N - 3

October 7, 1987

TO: ALL LICENSEES

The following amendment to the "Terms and Conditions Respecting Licensing of Lottery Events in British Columbia" was approved by the British Columbia Gaming Commission on September 25, 1987.

2.24 The Commission may restrict, control or specify the number of licences for any events on the basis the organization or the charitable object or purpose of the organization is in any way concerned with, connected, related, associated or ancillary to an organization or a charitable object or purpose for which a licence or licences have already been issued by the Commission.

R.M. Macintosh
Chairman

(b) establishing a common bingo program including rules-of-play and house rules, consistent with the intent of these Terms and Conditions;

(c) maintaining financial and inventory controls for supplies and services provided to member organizations;

(d) maintaining relations with the Commission and the P.G.B. on behalf of individual licensees.

The association's activities will be directed by a Board of Directors consisting of representatives of each of the member organizations.

No member of the Board may draw a salary or in any way be remunerated for their services. Neither may any other person receive a salary or in any way be remunerated for their services to the association.

3.08 Only bingo cards approved by the Commission will be used in British Columbia.

Each bingo card will bear a logo approved by the Commission together with sequential and series numbers.

All bingo events at which the total prizes for the entire event are in excess of $1,000.00 will utilize approved bingo cards. In exceptional circumstances an exemption may be granted by the Commission.

(Over a reasonable period of time all bingo events conducted in British Columbia will change to the use of approved bingo cards.)

3.09 A licensee will ensure that:

(a) only hard cards or approved bingo cards will be utilized at a licensed bingo event;

(b) there will be no bingo cards sold at discount prices; and

(c) no free bingo cards will be awarded as an inducement to attend a bingo occasion, or as a prize;

(d) there will be no scheme to increase the size of the prize by the sale of bonus cards (such as higher priced cards for larger prize awards) except as provided for in subsection (e);

(e) promotional games in which prizes are selected by chance or skill are permissable, provided that the total value of all prizes awarded complies with the requirements of section 3.20.

3.10 Every licensee will issue a receipt to each patron for every amount of money paid to him by the bingo patron for the opportunity of playing bingo, except where the game is conducted or played at a designated fair or exhibition. Receipt forms will be:

(a) commercially-printed, consecutively-numbered tickets;

(Where tickets are used the opening and closing numbers will be recorded, the tickets will be issued in sequence and either colour-coded or stamped as to value, and the roll or rolls will be used for bingo receipts only);

or

(b) approved disposable bingo cards;

(Where disposable bingo cards are used they will be sold in sequence and the opening and closing numbers as well as the series number will be recorded for audit purposes);

or

(c) cash register-dispensed receipts. (Any bingo operator holding a yearly bingo licence which has gross receipts exceeding $50,000.00 annually will use an electronic cash register unless the licensee is using only approved bingo cards and is conducting a bingo event which is known as a "walk-in bingo".)

(The cash register receipt issued to the patron and the copy retained in the machine will show the name of the licensee conducting the bingo, the date issued and the amount of money paid for the opportunity to play.)

(Only bingo cards for which a receipt has been obtained will be permitted in the playing area. No prize will be paid if the number of cards being played exceeds the amount covered by the receipt.)

3.11 Licensees who purchase approved bingo cards for any portion of their bingo occasion will retain a copy of the purchase invoice as part of their records. The records will clearly identify the first and last of the sequential numbers, as well as the series numbers of the cards purchased.

3.12 No person managing, conducting or assisting in the conduct of a bingo occasion will participate as a player in any game of bingo during the same bingo occasion. Members of a licensed organizations may participate as a player at any bingo occasion at which they are not involved as a worker.

3.13 No single prize awarded in a bingo occasion will exceed $1,000.00 in Canadian funds or merchandise, or real or personal property having an equivalent market value.

3.14 The total value of prizes awarded at a bingo occasion will not exceed $7,500.00 in Canadian funds. Attendance, or door prizes, must be calculated as part of the prize payout.

3.15 In any game involving open-faced throw-away cards the game will be completed once it has commenced, except where presealed sheets are utilized. No buy-back or exchange scheme of purchased bingo sheets will be permitted.

3.16 Where an honorarium is paid for managing, conducting or assisting in the conduct of a bingo occasion, the amount paid will not exceed the following:

Key personnel, to a maximum of three per bingo occasion	$40.00 each
Additional assisting personnel per bingo occasion	$15.00 each

No honoraria will be paid until and unless the prescribed percentage is paid to charity in accordance with section 3.20.

3.17 Under no circumstances will a tip or gratuity be paid to, or accepted by, any bingo worker in relation to a bingo activity.

3.18 Pyramiding of prizes is prohibited.

3.19 Notwithstanding any other Terms and Conditions noted heretofore, licensees conducting bingo in halls that are run by or are in total control of the licensees may make application to the Commission for designation and registration as a "Charitable Community Association". Upon confirmation that the licensees are, or will be, in total control of the bingo activity, and providing that any other requirements are met, the licensees may be designated as a CCA. This designation will permit the management committee of the CCA to manage and conduct all bingo occasions licensed to be played in that hall and incorporate a pooling of receipts, expenses and charitable contributions, if desired, but only if all other Terms and Conditions are adhered to and the following additional terms and directives are accepted by the applicants:

(a) the applicant must agree to a system of accounting and auditing stipulated by the Commission;

(b) the accounting system will be monitored by an independent auditor who will submit an audited report and a financial statement which will present the financial position of the CCA, and each participant, at the end of each month. A copy of the audited report will be submitted to the Commission;

(c) if their CCA has a pooling arrangement, each participant in the Association will receive, at the end of each month, their prescribed share of that month's gross receipts, as required by these Terms and Conditions. If the CCA does not have a pooling arrangement each participant will receive the full net receipts from their licensed events;

(d) the Commission must have a copy of all rules, by-laws or agreements of a CCA and a written account of all arrangements between a CCA and a particpant before it can be registered.

3.20 The following formula will govern the distribution of the proceeds derived from the bingo event(s):

(a) Where the aggregate value of the prize awards in a licence year exceeds $60,000.00, a maximum of 60% of gross proceeds may be given back as prize payouts and, a minimum of 25% of gross proceeds will be given to charity;

(b) Where the aggregate value of the prize awards in a licence year exceeds $20,000.00 but does not exceed $60,000.00, a minimum of 20% of gross proceeds will be given to charity;

(c) Where the aggregate value of the prize awards in a licence year does not exceed $20,000.00, a minimum of 15% of gross proceeds will be given to charity;

Licensees conducting their bingo events in self-owned premises which are being utilized for charitable or religious purposes, may pay out more than the above noted percentages, but must fully comply with the requirements of the noted minimum donations to charity. If the licensee rents or leases the premises to other licensees for gaming events, this Term and Condition will not apply.

Licensees conducting their bingo events in a rental facility which is utilized as a bingo hall must comply with subsection (a) above, irrespective of the dollar volume of prize awards in their licence year.

3.21 Fees payable to the Minister of Finance and Corporate Relations for a licence under this Part:

(a) A licences — $25.00 or one per cent (1%) of the gross receipts, whichever is the greater amount. The remittance of the required balance of fee must be made within 30 days of the conclusion of the licensed event;

(b) B licences — $10.00.

TICKET LOTTERIES

(Part IV)

4.01 Not less than 35 per cent of the gross proceeds will be paid under this Part to the charitable or religious object as set out by the licensee in the application for licence.

4.02 The organization managing or conducting a licensed lottery where tickets or cards are sold will:

(a) indicate on the ticket or card the following information:

(i) the name and the address of the organization,

(ii) the number of the licence,

(iii) the location, date, and the time of the draw,

(iv) total value of prizes to be awarded and the method of awarding same,

(v) the sequence number of the ticket,

(vi) the total number of tickets printed;

(b) provide for consecutive numbering of the tickets or cards;

(c) indicate in its application the number of tickets or cards to be printed;

(d) in any scheme offering a cash prize representing a percentage of the tickets sold, i.e., (50/50 draws), tickets will only be sold at a social or sporting event and the draw is to take place at the conclusion of the event.

4.03 An applicant for a licence under this Part will

(a) set a firm date for the draw;

(b) provide for a selling period not exceeding four months up to and including the draw date; and

(c) confine ticket sales to that area of the Province where the residents could be expected to benefit from the funds raised by the lottery.

Under no circumstances will the draw date be altered once ticket sales have begun.

4.04 Any organization licenced to conduct a ticket lottery will

(a) complete the lottery once ticket sales have commenced, and award the prize(s) advertised whether or not all the tickets have been sold; and

(b) where prize awards are in excess of $5,000.00 retail value, hold clear title to any property or merchandise offered or, with respect to a cash prize, confirm in writing that sufficient funds are available to pay out the value of the prize.

4.05 Evidence may be required that the applicant has sufficient cash funds to cover any prize offered.

4.06 Where honoraria are paid to ticket sellers under this Part, the amount will not exceed 10% of the price of each ticket sold.

4.07 Where the cost of a ticket to a social function includes a chance to compete in a draw for a prize, the element relating to the lottery will represent a sum sufficient to comply with these Policy Directives, had the lottery been operated as a separate entity. The element of the cost of the ticket related to the lottery will be set out in the application for licence.

4.08 An organization will be issued not more than three lottery licences under this Part in any calendar year.

4.09 Where prizes on a ticket lottery are unclaimed, said prizes will be held in trust for a period of one year from the date of the draw. If at that time the prizes are unclaimed, the entire amount of said prizes will be donated to the charity named in the application.

4.10 No unsold ticket or stub will be entered in the draw container or be otherwise considered for the draw to determine the winner or winners of any prize.

4.11 Not more than 5 ticket lottery licences will be issued within the Province of British Columbia during a calendar year, each having an aggregate prize structure in excess of $100,000.00.

4.12 No licence will be issued for any ticket lottery having an aggregate prize structure in excess of $250,000.00

4.13 No lottery ticket will be sold outside of the Province.

4.14 Fraternal and service organizations may be granted a yearly licence to conduct an "in house" ticket lottery (raffle) subject to the following additional conditions:

(a) ticket sales are confined strictly to the premises of the licensee;

(b) only members and/or bona fide guests of the licensed organization may purchase tickets;

(c) commercially-printed, consecutively-numbered tickets must be utilized;

(d) comprehensive records for each draw must be maintained including the recording of the opening and closing numbers of the tickets sold for each draw;

(e) a yearly record of all the revenues, prizes, expenses and charitable donations is maintained;

(f) a financial statement covering all draws held during the licence year is submitted in accordance with section 2.15 of these Terms and Conditions.

4.15 Fees payable to the Minister of Finance and Corporate Relations for a licence under this Part will be as follows:

(a) A licences — $25.00 or one percent (1%) of the gross receipts, whichever is the greater amount. The remittance of the required balance of fee must be made within 30 days of the conclusion of the licensed event;

(b) B licences — $10.00.

CASINO EVENTS

(Part V)

5.01 Organizations will be granted a maximum of 3 licences to conduct a casino per calendar year, each one for periods of 1, 2 or 3 days.

5.02 Gross receipts from a casino event will be deposited to the licensee's casino account and,

(a) 10% remitted to government as a licence fee,

(b) a minimum of 50% retained for charitable purposes as specified on the licensee's application,

(c) the balance to be applied, not to exceed 40%, for all administrative, overhead, and contracted costs, including fees to casino management companies, honoraria, advertising, room rentals, etc.,

(d) the payment to the casino management company, and payment of the balance of the licence fee will be made by cheque within three (3) days of the end of the casino.

5.03 Casinos may operate for a maximum of eight (8) hours between the hours of 6:00 p.m. and 2:00 a.m.; exceptions may be made in special circumstances as determined by the Gaming Commission. The hours of operation will be specified at the time of application.

5.04 A maximum of fifteen (15) games will be permitted at a casino.

(a) Permitted games include: blackjack, roulette, and wheels of fortune.

(b) No wheel of fortune will have a house advantage exceeding 25%.

(c) Any mix of games is permitted.

(d) The number and type games to be played must be specified at the time of application.

5.05 The bet limit at a casino event will be:

(a) the maximum bet at blackjack will not exceed $5.00 except that a player may bet an additional amount equal to the original bet, on "splits" and "double downs". The minimum bet at blackjack will be $1.00 and tables must provide accommodation for players wishing to bet the minimum;

(b) the maximum bet at roulette will be $5.00. The minimum bet will be 0.50 and tables must provide accommodation for players wishing to bet the minimum;

(c) the maximum bet at a wheel of fortune will be $5.00. The minimum bet will be 0.50. All wheels of fortune must provide accommodation for players wishing to bet the minimum;

(d) "insurance bets" and "bets for the dealer" are not permitted;

(e) for the purposes of Part V of these Terms and Conditions, roulette will not be considered as a wheel of fortune.

5.06 All bets must be placed with chips. Chips will be purchased only at the gaming tables and only with cash. Chips are redeemable only at the cashier's cage and only chips issued by the supplier to the licensee for that event are to be accepted.

5.07 Any admittance fee charged for attending at a casino shall form part of the gross proceeds of the licensed event.

5.08 In the game of blackjack all cards must be dealt face up and in the event of a "push" (tie) the player will not lose his bet.

5.09 The granting of credit, the cashing of cheques, and the honouring of credit cards is prohibited at a casino.

5.10 The licensee will ensure that only bona fide members listed on the licence application, will conduct and control the chip bank, the cashier, and all internal cash chip transactions.

5.11 No person managing, conducting or assisting in the conduct of a casino will participate as a player in any of the games.

5.12 No one under the age of 19 may participate as a player in any of the games, or operate or deal any of the games.

5.13 The casino will be conducted in accordance with the procedures and financial controls established by the Commission.

Only the financial forms approved by the Commission will be used in the conduct of a casino. The licensee will retain all voided and completed forms for a minimum of two years.

5.14 The licensee shall ensure that adequate security is provided at the licensed event by the casino management company.

5.15 The licence, together with the game rules approved by the Commission, will be prominently displayed in the casino. House Rules, not inconsistent with these Terms and Conditions, may be established and made available to the players.

5.16 In addition to the fee noted in paragraph 5.02 (a), a cheque or money order in the amount of $25.00, made payable to the Minister of Finance and Corporate Relations, must accompany the application for a casino licence.

5.17 A Social Occasion casino licence, at which attendance is strictly limited to members and guests of the licensed organization, may be approved by the Commission under Terms and Conditions it establishes therefore.

FAIRS OR EXHIBITIONS

(Part VI)

For the purposes of this Part "fair or exhibition" is defined in accordance with the *Criminal Code* of Canada and means an event where agriculture or fishing products are presented or where activities relating to agriculture or fishing take place. To obtain designation as a "designated fair or exhibition" the board of the fair or exhibition must apply to the Commission for such designation.

6.01 The board of a fair or exhibition will obtain one licence for wheels of fortune offering cash prizes held at the fair or exhibition, or for a fair-related ticket lottery commencing the four months immediately preceding the days of the fair.

6.02 Where the board of a fair or exhibition, licensed under this Part, intends to operate wheels of fortune other than in conjunction with a licensed concessionaire, the application for licence will include the full name and date of birth and address of each operator of the games, and a description and the number of each game to be operated.

6.03 The licensee, his agents, servants, and employees will comply with the provisions of the *Criminal Code*. Any person with a record of a conviction for an offence, directly or indirectly related to any gaming activity, may not participate in the activities relating to a licensed event.

6.04 Such persons as the Commission will appoint, and all peace officers will, at all reasonable times, have direct and unencumbered access to inquire into the nature, management, or conduct of the proceedings for which the licence has been granted, either prior to, during, or after the conclusion of such proceedings.

6.05 A licensee under Part VI will not:

(a) permit the pyramiding of games;

(b) permit the doubling up or pyramiding of fees or accumulation of points or prizes in any game; however, this does not prevent the winner of two or more minor prizes electing to receive a major prize in exchange, but does prohibit the wagering of a prize on the chance of winning a larger prize;

(c) introduce, operate or conduct the game known as blackjack.

6.06 No person who is managing, conducting or assisting in the running of games of chance will place a bet during the licensed event.

6.07 The maximum bet per person permitted under this Part is $5.00 per turn of the wheel, regardless of the type of wheel being played.

6.08 No one under the age of nineteen will be permitted to offer a bet or wager on, or operate, any game of chance licensed under this Part.

6.09 Subject to authorized prior sale of tickets, licences under this Part are for use during the actual period of the fair only.

6.10 Fees payable to the Minister of Finance and Corporate Relations for a licence under this Part will be as follows:

(a) For a Class A Fair	$300.00
(b) For a Class B Fair	$150.00
(c) Other Fairs	$ 50.00

CONCESSIONAIRES AT FAIRS AND EXHIBITIONS

6.11 In addition to the Terms and Conditions applicable for the Fairs and Exhibitions, Concessionaires will be subject to any Terms and Conditions to be determined by the Commission, including Terms and Conditions numbered 6.12 to 6.16 inclusive.

6.12 Each owner or operator of games of chance or mixed chance and skill offering a cash prize at a designated fair or exhibition will obtain a concessionaire's licence separate from any licence obtained by the board of the Fair or Exhibition.

6.13 The application for a concessionaire's licence will include on the prescribed form, the full name and address as well as the date of birth of each operator of the games, and a description of each game to be operated. Inaccurate information pertaining to the operators will delay the issuance of the licence.

6.14 Each Concessionaire licensed under this Part will, at each game location:

(a) display suitable signs relating to the rules of the game;

(b) post a copy of the licence issued in respect to the game;

(c) post a sign measuring not less than 8" x 12" prohibiting any one under the age of nineteen from playing the game.

6.15 A licence issued to a Concessionaire will be valid from the date of issue or April 1 of the year of issue, whichever is the later date, until March 31 of the following year.

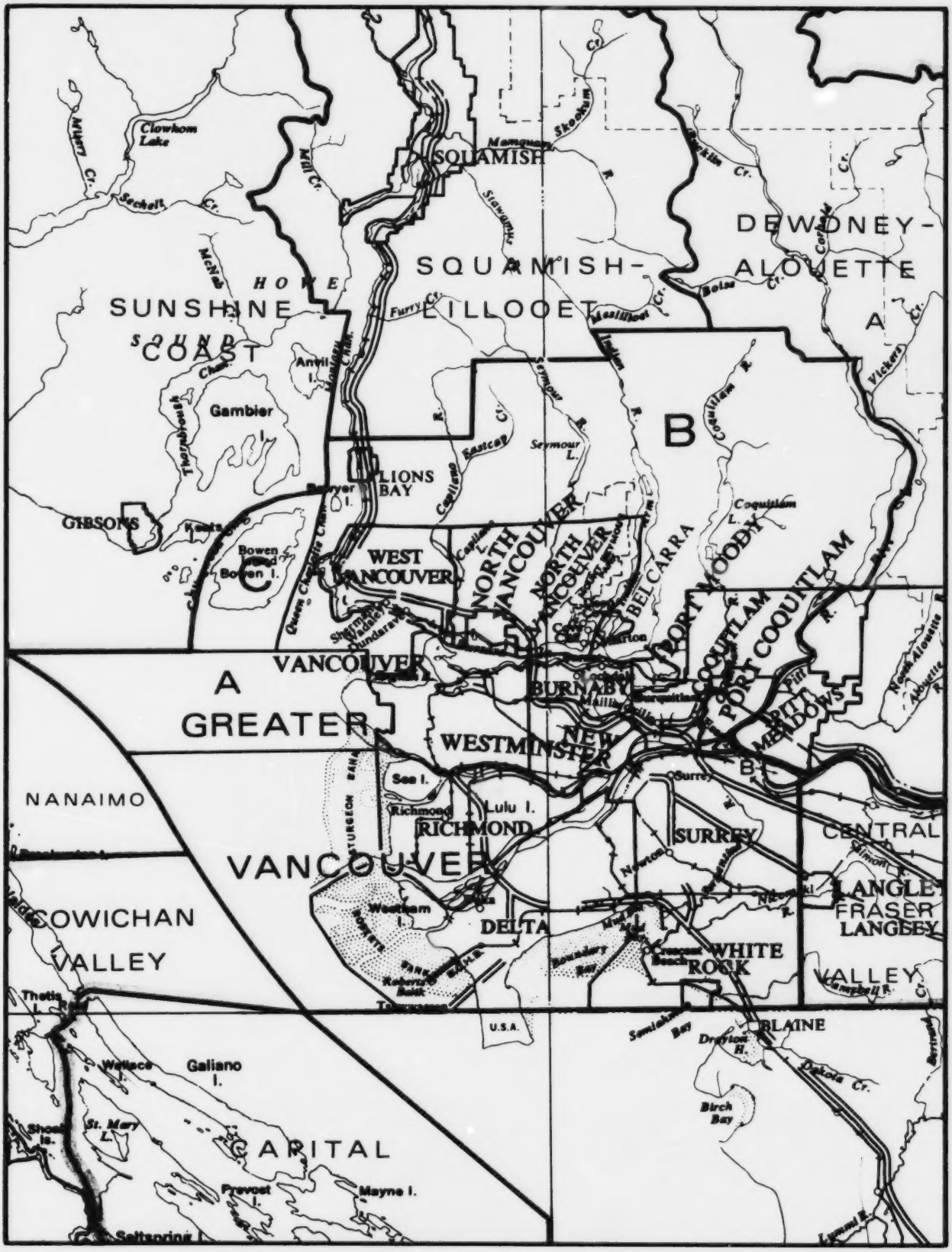
6.16 Concessionaire licence fees payable to the Minister of Finance and Corporate Relations upon application for a licence under this Part will be as follows:

(a) Basic fee (including one game) $150.00

(b) Each additional game ..... $ 50.00

APPENDIX C

APPENDIX C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McNab
Furry Cr.
Meslilloet Cr.
Boise Cr.
Corbett Cr.
Vickers
Anvil I.
Gambier I.
Thornbrough
Channel
Mamquam
Skookum
Stawamus
Seymour R.
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Coquitlam R.
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Pitt R.
Alouette R.
LIONS BAY
Bayview
GIBSONS
Keats I.
Bowen Island
Bowen I.
WEST VANCOUVER
NORTH VANCOUVER
BELCARRA
PORT MOODY
PORT COQUITLAM
PITT MEADOWS
VANCOUVER
BURNABY
NEW WESTMINSTER
GREATER
Sea I.
Lulu I.
Richmond
RICHMOND
Surrey
SURREY
CENTRAL
LANGLEY
FRASER
LANGLEY
VALLEY
NANAIMO
VANCOUVER
COWICHAN
VALLEY
Westham I.
DELTA
Boundary Bay
Crescent Beach
WHITE ROCK
Roberts Bank
Tsawwassen
Thetis I.
U.S.A.
Semiahmoo Bay
BLAINE
Drayton H.
Dakota Cr.
Birch Bay
Wallace I.
Galiano I.
Shoal Is.
St. Mary L.
ARITAL
Prevost I.
Mayne I.
Saltspring I.

APPENDIX D

APPENDIX D

GAMING AND SELECTED B.C. COMMUNITIES

In the late summer and fall of 1987 research was conducted in four B.C. communities including Vancouver, Prince George, Trail and Fort St. John. This research was conducted by Connor Development Services Limited and included questionnaires completed by bingo and casino operators as well as representatives of local charitable organizations. The four communities were selected as being representative of typical urban and rural locations in various parts of the Province. Each community is described from a demographic perspective and the gaming activities are briefly outlined. A variety of topics were addressed including licensing, certification, bonding requirements, training of staff, advertising and promotional standards, equitable access to gaming activities and the appropriate distribution of funds from gaming events. Aside from these primary areas there was unsolicited but relevant information which was obtained and is included in the research report.

This research has provided valuable information which will be used when considering policy options in the future and has given the Commission a good understanding of the views and concerns of charitable organizations and the management companies involved in gaming in the Province. In each community, despite the differences in size there are similar problems and concerns about the future direction of gaming in B.C. It is essential that representatives from all communities be continued to be consulted and the Commission is actively encouraging this process.

The formal documentation of this research is available through the B.C. Gaming Commission office in Victoria but is not included as an addendum to this report due to its length. The Commission would like to thank Emma Sicoli and Desmond Connor for their commitment throughout this project and also thank all those who so willingly participated in the research.

APPENDIX E

APPENDIX E

GOVERNMENT AS GAMBLING ENTREPRENEUR

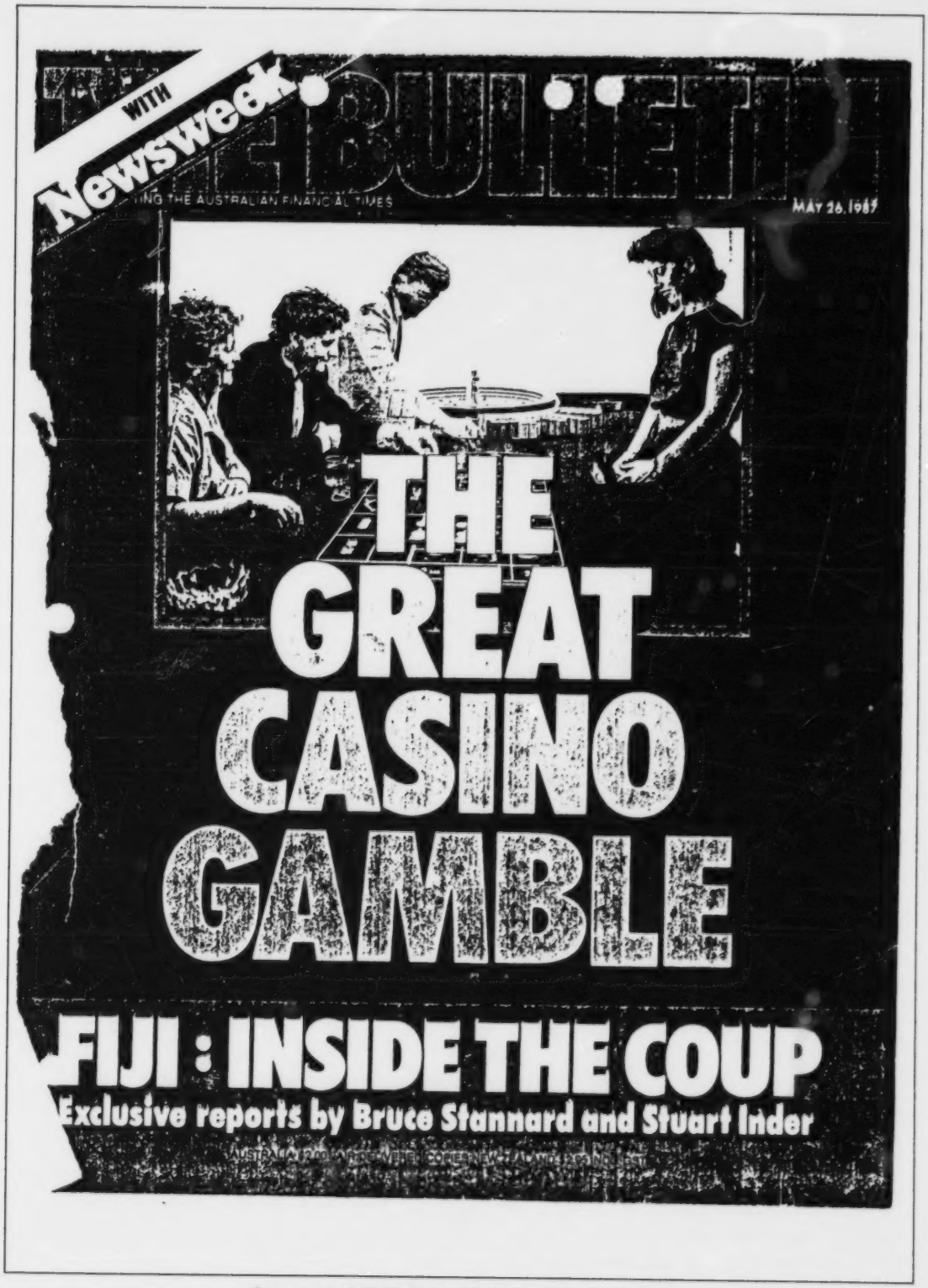
This report was prepared by the Legislative Research Council for the State of Massachusetts, U.S.A. in 1983. A brief excerpt taken from pages 32 and 33 of this report follows.

"The principal moral objection to state operated casinos is that the government would become an aggressive promoter of gambling by its citizens. Many voters may have felt such a policy would conflict with other policies in the public interest. Such a position has been forcefully expressed by Irving Kristol who writes:

> In short, when the government gets into the gambling business, it necessarily assumes the responsibility for seeing that this business grows and prospers. In effect, it proclaims that gambling is not a necessary evil but an inherently good thing. And it does this while telling its citizens that, if they are to be good Americans, they should work hard, save their money, shun all get-rich-quick schemes. Is this not ridiculous? Does it really make sense for the government to insist that no one has a right to work for a penny less than the minimum wage and for the government then to encourage us all to blow our week's wages at the betting cage? Does it really make sense for the government to enact a mountain of legislation — from Securities and Exchange Commission registration to the labelling of consumer products — which protects people from unwise expectations while urging them to make the unwisest expenditure of all, i.e., a gambling bet?
>
> Practical objections to state-operated casino center on the government's ability to efficiently operate casinos. Casino gambling is a complex, risky business which requires a high degree of promotional, operational and administrative expertise. Skeptical about the presence of such expertise in the public sector, New Jersey voters were unwilling to expose the state treasury to the risk of incurring large capital losses if a state-run casino should fail. Several studies have concluded that government-operated casinos are likely to be less efficient in raising revenues than private casinos and that, in fact, the government's revenue from a tax on the profits of private casinos would probably exceed total profits from a state-owned operation. The electorate may also have been wary of creating a new bureaucracy that could be used for patronage purposes and which, once established, would seek to perpetuate itself. They may have also feared that "in addition to assuring the continuation of its own jobs and responsibilities, the bureaucracy will look for expansion of its jurisdiction — thus placing excessive and misplaced reliance on gambling activities for revenue production instead of developing more effective and more equitable alternative sources of revenue."

APPENDIX F

APPENDIX F



Courtesy of *THE BULLETIN*, Sydney, Australia.

THE GREAT CASINO GAMBLE

As the NSW government struggles to find perfection in an operator for its Darling Harbor palace, the casino debate has re-ignited passions on all sides. Are casinos worthwhile? Who benefits, other than governments? In this report, DAVID McNICOLL, TONY ABBOTT and LENORE NICKLIN answer the critical questions

EVER SINCE soldiers drew lots for the garment of Jesus, churches have viewed gambling with suspicion. But, as legal casinos proliferate in Australia, secular academics have swollen the chorus of distaste.

"I don't want to sound like a puritan," says Professor Stuart Rees of Sydney University's Social Work department, "but we are creating a Sodom and Gomorrah society." Locating the world's biggest casino in Sydney's showpiece Darling Harbour development, he says, could be "colluding with all the stereotypes about the mindless ocker".

Darling Harbor redevelopment site of Sydney's proposed casino

Australian gambling is legendary. Its traditional images – Diggers playing two-up and bushmen at the races – at least reflecting a sense of mateship born of adversity. The modern reality is different. Government tax figures suggest that lotteries and poker machines constitute our major gambling forms. Racing accounts for only 37 percent of gambling tax revenue.

The scale of our gambling, however, remains heroic. Indeed, according to figures produced by Bryan Haig, an economist at the Australian National University, Australians now gamble 50 percent more than in the halcyon days of the local two-up school in the 1920s. Australians gamble about 50 percent more per head than the British – the nation next most addicted. In 1982-83, gambling consumed $146 for every Australian (in the same year we spent $1119 a head on food, $360 on alcohol, $322 on defence, $123 on tobacco and only $26 a head on private education).

What does this say about our society and its values? Defenders of legal casinos says that they create jobs, boost development and – most importantly – raise government revenue. But is that really the end of the matter? In Queensland, Premier Sir Johannes Bjelke-Petersen has salved his conscience by granting a 1 percent casino tax to a community benefit fund.

According to Dr John Hill, principal of the Catholic Institute of Sydney, "... the lucky country syndrome has run riot ... we're really not much different from our northern neighbor where they believe in a cargo cult ..."

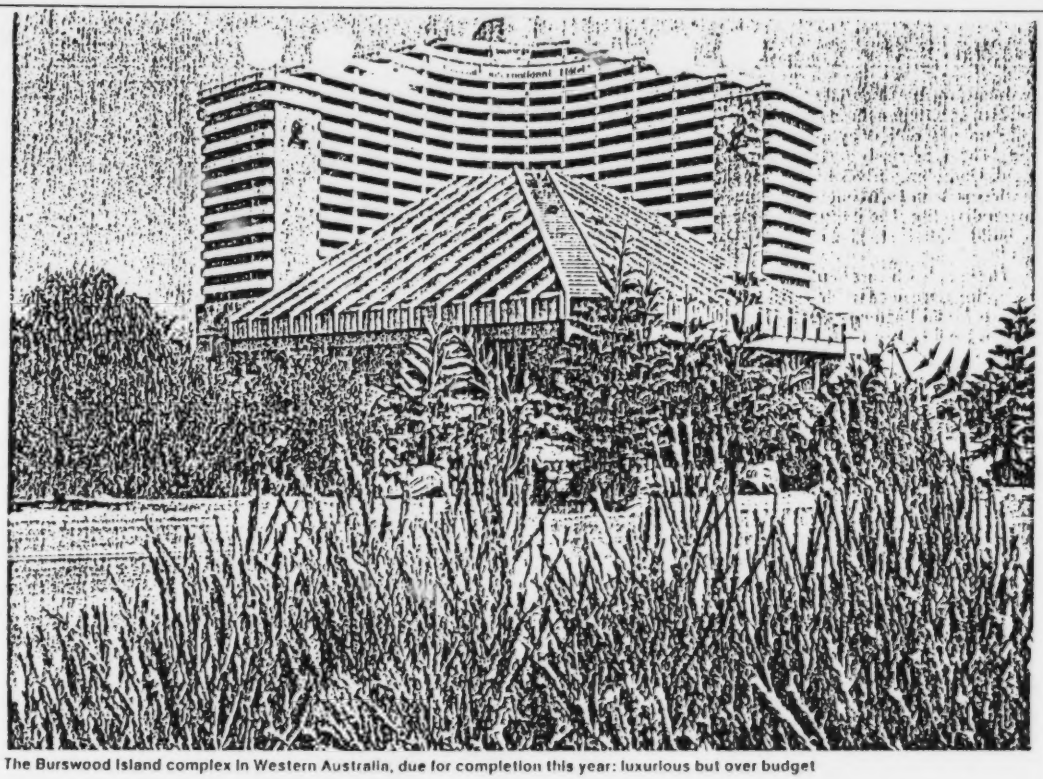
Ronald Conway, Melbourne sociologist, says that we have developed "... a something for nothing mentality ... a form of escapism ..."

For Conway, the worst feature of casinos is that "other forms of vice follow in their train". With their associated hotel and entertainment complexes, they encourage "a total atmosphere of prodigality ... eat, drink and be merry for tomorrow I divorce ... or get AIDS ..."

Dr Michael Walker, a Sydney University psychologist, says that casinos will attract people who don't normally gamble. "The big, brassy casino image is attractive and different," he says. "I'll go." While some gambling spending will be redistributed from other outlets, Walker expects the total outlay to increase significantly. So do state governments, which are counting on increased revenues.

Geoff Caldwell, director of the ANU's Centre for Continuing Studies says that public unfamiliarity will force casino operators to promote the games. Walker says that competition between the different types of gambling will tend to maximise spending.

Unquantifiable social costs will be heavy. Anglican Bishop John Reid, who chairs the church's Social Responsibilities Commission, says that "most" of the clients of welfare arm Careforce have financial problems associated



The Burswood Island complex in Western Australia, due for completion this year: luxurious but over budget

with gambling. Creditline in Sydney sees "around 10" people a month whose financial problems are related to gambling. Centrecare, the Catholic counselling agency, estimates that between 3 and 5 percent of troubled marriages result from gambling problems.

Much argument over the Darling Harbor casino has focused on its potential to be associated with crime.

Jan McMillen, a Brisbane academic who is president of the National Association for Gambling Studies, says there is no evidence of criminal involvement in the administration of Australian casinos. But anti-gambling NSW parliamentarian the Reverend Fred Nile says that criminals can use casinos "even if St Francis is running them". Nile says that the recipients of criminal profits can "launder" money simply by passing it across a gaming table. The government is working on legislation to give inspectors wide powers to monitor suspicious gamblers but, McMillen concedes, there is no foolproof system.

Premier Barrie Unsworth once opposed the extension of gambling. According to a press spokesman, he has "seen the light". Unsworth says that the Darling Harbor development will eliminate illegal casinos. Cynics point to failure of the TAB to stop SP bookies.

Like Caesar's wife, NSW's casino apparently must be above reproach. The state government, however, is discovering that acceptable casino operators are hard to find. The government last August dumped the originally successful tenderer, the Hooker Harrahs consortium, citing Hooker chief George Herscu's alleged involvement in secret commissions to union boss Norm Gallagher. And, two weeks ago, three of the fresh tenderers were eliminated – including that of John Haddad's Federal Hotels (see following story).

The fate of the only remaining tenderer, the Genting Corporation, depends upon a West Australian Corporate Affairs Commission investigation expected to be concluded "within a few weeks". Genting is the main shareholder in Burswood Management Limited, operator of the Perth casino. At issue is whether the company knew, when it launched its prospectus, of large cost overruns. A NSW government spokesman says that "what's taking time is the probity question", although he stresses that three other criteria – operational competence, financial solidity and environmental suitability – must also be satisfied: "Our selection process is taking longer than anyone else's. You can draw your own conclusions from that." Nevertheless, the government remains committed to the project and is prepared to call a third round of tenders if necessary.

According to McMillen,

casinos are an essential part of the modern entertainment industry and an "integral part of the way society is moving". That is precisely the problem, says Reid. Gambling thrives because of the restlessness and discontent generated by modern life. The important thing is to build "a desire to give rather than to get".

The people who are betting, with few exceptions, are not gamblers. And there are no Mafia bagmen raking off Australian legal casino profits. The industry's main profiteer has been government. State and territorial governments made an estimated $45 million in gaming taxes last year. Some say this figure could quadruple by 1990 with the opening of Sydney's Darling Harbor casino – tipped to be the world's biggest.

But, behind the sparkling facades and public optimism, Australia's casino operators are grumbling about high taxes and costs squeezing their profits.

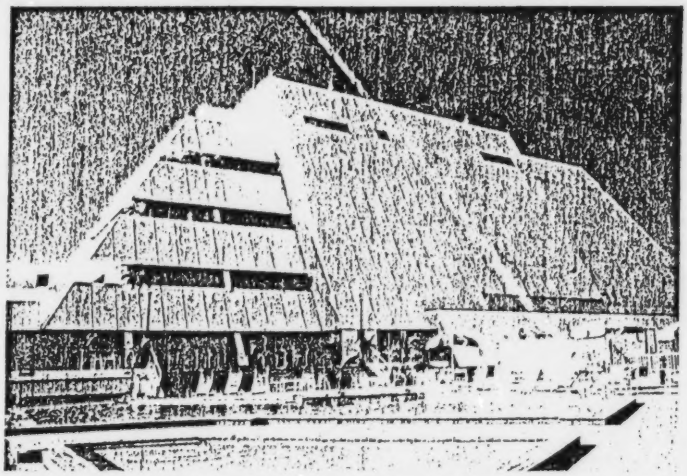
Industry sources say that casinos are lucky to keep 25 percent of their takings. Of this, up to 20 percent is returned to government in casino taxes. And 24-hour operation means that much of the wages bill is calculated at double time.

On top of its 20 percent gaming levy, the Gold Coast's Jupiters casino pays 1 percent of its net gambling revenue into a Community Benefit Fund which has just distributed more than $800,000 to groups such as the ambulance service, life-saving clubs, the local showground and a drug rehabilitation centre. Everyone is happy, of course, but the smiles of casino executives seem rather strained.

Haddad, whose Federal Hotels group controls Tasmania's two casinos, has estimated that the Australian market contains up to 300 "high rollers" – players with banks of more than $200,000 – plus thousands who regularly gamble with amounts of about $10,000. Despite them and throngs of smaller patrons, the casinos it seems are *not* a licence to print money.

In its first six months of operations, for instance, the vast sum of $132 million passed across the tables of Adelaide's casino. But net gambling revenue was $32 million. The "gate" was about 1.7 million people, giving an average "drop" (loss per player) of only $19.

The leveller is the "grind" trade, the thousands who flock to casinos for entertainment and sight-seeing and to "have a flutter" with $20 or so each.



Darwin's Diamond Beach Casino: high rollers fly in from South-east Asia

Industry insiders say that the Alice Springs casino which has by far the largest proportion of overseas patrons, at 40 percent, also gets the largest average "drop".

At most casinos, however, the overseas "high roller" is more of a hope than a reality. Despite the provision of exclusive facilities and "comps" ("complimentary" accommodation and transport) to big gamblers, the overall percentage of overseas visitors hovers under 5 percent.

According to Neill Colledge, an analyst with stockbroker Rivkin James Capel, the casino industry is suffering from inflated early expectations. It is fundamentally viable, he says, "because Australians like gambling", but large service operations such as hotels and casinos always over-provide in their first six months. "They don't want complaints and they don't know their market, so they over-cater."

In addition, Colledge says, opening periods always bring a flood of visitors more interested in sightseeing than in spending.

Colledge observes that Adelaide has thrown off its "city of churches" tag and boasts what may be Australia's best-performing casino. It is housed in the old railway station which was used for the ballroom scene in the film *Gallipoli* and Colledge attributes much of the success to its stately charm.

Unlike other casinos, Adelaide has no accompanying hotel and entertainment complex. These may turn out to be money-spinners says Colledge, but establishing them takes lots of time and money.

Perth's Burswood complex will have a 470-bed hotel, a golf course, a sports arena and Western Australia's largest entertainment auditorium when completed this year. But the $300 million project is already $60 million over budget and too late for the America's Cup.

The casino is said to be efficiently managed and marketing manager Andrew Coward sounds confident, claiming that the first year's operating profit of $17.6 million can only improve. The company's latest report, however, is less up-beat. It cites delays in construction through protracted industrial disputes and a series of bomb hoaxes.

Despite a $14.4 million op-

MILTON WORDLEY/ RAPPORT

Adelaide's Casino, housed in an old railway station: averaging 8500 patrons a day

ating profit in the six months to De-mber, the management of the $200 illion Jupiters complex complains t patron "drop" has been less than pected and warns of another ap-oach to the Queensland government reduce the 20 percent gaming levy. piters points out that the tax at the State's struggling Townsville casino has been reduced from 15 to 10 percent.

Industry sources say that the Townsville casino, which opened last June, has yet to make an operating profit.

Last year, Federal Hotels made a disappointing $800,000. Profit figures for the Northern Territory's two casinos, at Darwin and Alice Springs, are not available but both were in trouble before recent ownership changes.

AUSTRALIA'S CASINOS

Jupiters, the Gold Coast: averages about 16,000 patrons a day and employs nearly 2000 staff. In 1986, Jupiters paid casino tax of $16.4 million on gambling revenue of $78 million.

Burswood, Perth: averages 7200 patrons a day, employing 1420 staff. Burswood paid casino tax of $10.7 million on gambling revenue of $71 million in 1986.

Adelaide: averages 8500 patrons a day and employs 1200 staff. In 1986, Adelaide is estimated to have paid casino tax of about $12 million on gambling revenue of some $60 million.

Breakwater Townsville: averages 2500 patrons a day, with 500 staff. Tax and revenue figures are not available.

Wrest Point Hobart: averages 3000 patrons a day, more than 700 staff. In 1986, Wrest Point is estimated to have paid casino tax of about $2.4 million on gambling revenue of some $16 million.

Launceston Country Club casino: averages 3000 patrons a day and employs about 400 staff. Is estimated to have paid casino tax of $1.7 million on gambling revenue of about $11 million in 1986.

Diamond Beach Darwin: averages 1800 patrons a day, nearly 400 staff. Tax and revenue figures are not available, although the Territory government expects returns of just over $1 million on revenue of about $12 million for two casinos this financial year.

Lasseters, Alice Springs: averages 1200 patrons a day and employs about 170 people. Tax and revenue figures are not available.

— Tony Abbott

"That's the worst run of luck I've ever seen, Dear."

Grandma and orphans on a roll

LENORE NICKLIN spends a night at the tables.

AT THE Wrest Point casino, someone has forgotten to tell the roulette-playing grandmother in the red cardigan that gaming is the son of avarice and the father of despair. This is no time for old French proverbs — grandma is on a winning streak. She puts one of her pile of $5 chips on the black 33 and up it comes. She collects 35 of the chips and leaves the original one on 33. Up it comes again.

"I told you I spin doubles," says the baby-faced croupier. (Australia has the youngest croupiers in the world.)

As he pushes the second pile of chips towards the woman in the cardigan, the pit boss asks: "Is she your grandmother?" Wrest Point has a degree of informality not to be found at Monte Carlo or the Curzon House Club in London.

The Federal Hotels Wrest Point operation, 14 years old, is the mother of all the legal casinos in Australia. Wrest Point is less chic than the Adelaide casino and less tacky than Jupiters on Queensland's Gold Coast. Wrest Point is comfortable. She is aging gracefully and at a cost of some millions has been fitted out recently with new chandeliers and carpets, mirrored walls and new false ceilings.

You don't notice the ceiling cameras that record every spin of the wheel, every shuffle of the cameras under the tables. What you mainly see are $100 notes being pushed through slots in the gaming tables. Can the national deficit really be so high?

Wrest Point is respectable. Those melancholy predictions that it would turn Tasmania into a devil's island of organised crime and prostitution have proved unfounded.

The management's plea for neat casual dress at all times (no thongs or jeans) is adhered to but dress for the most part is less smart than at a midweek race meeting at Gosford.

On a recent Saturday night at 11.30, a pretty girl in the foyer was seen to be crying softly but it may have been a matter of the heart rather than the gambling tables. Inside, they were standing two-deep around the roulette tables,

blackjack was doing brisk business, occasional cheerful shouts came from the two-up area, the keno numbers were flashing up on the big screens and the eight people playing at the poker table were exchanging boyhood memories.

"My father promised he'd give me a bicycle the day I could beat him at draughts," says the man who has just been dealt three jacks. "But when I started to work I was still walking."

The poker players are the most sociable of all the gamblers, chomping on their cigars in fine Damon Runyon style and ordering cups of coffee which is not so Runyonesque but no alcohol is allowed at the tables. (The casino bars, however, do a brisk trade in fluffy ducks, pussy foots and pina coladas.)

The keno screens are receiving more than usual attention because the jackpot is at an alltime high of $255,000. Keno, introduced to the casino in 1978, is a type of computerised lotto. Select the correct nine numbers and the $255,000 is yours.

Most people at the roulette tables are too busy placing bets and concentrating on their systems to worry about keno, conversation or coffee. Serious players mark each winning number on the specially provided cards. A glance at the cards reveals that 27 and 11, as well as grandma's 33, have kept coming up. A Japanese player puts green chips on practically every number, every throw. He and his chips are soon parted. On the opposite side of the table, people are playing the Tiers and Orphans systems.

Tiers required a six-piece bet on the 5/8, 10/11, 13/16, 23/24, 27/30 and 33/36 and the orphans a six-piece bet on the 1, 6/9, 14/17/20, 31/34 and 33. The orphans were winning.

Upstairs in the high rollers' room, reached by a glass-walled cylindrical lift, the really big money games are in progress. A variety of sporting prints is on the walls and here you don't have to pay for your coffee.

Gambling makes an honest living

DAVID McNICOLL talks to John Haddad about the business of casinos and his plans to expand beyond Australia.

Federal Hotels' John Haddad: wears a variety

THERE ARE some people who think that the man who introduced casinos into Australia should feel a burden of guilt. But if John Haddad, the so-called "Father of Casinos" feels any guilt, he certainly doesn't show it. In fact, he delights in the tag, is proud of the dramatic change he brought to Australian gambling – and looks to bigger and better casinos in the years to come.

John Haddad today is something of a hero to his peers. His trailblazing in the hotel-casino business has brought unstinted praise from the industry, and acclaim from governments notwithstanding the NSW government's recent rejection of his tender for Sydney's proposed Darling Harbor casino. He is chairman of the Australian Tourist Commission, president of the Australian Hotels Association, and on most of the boards associated with tourism in Victoria. He is, for his daily bread, also managing director of Federal Hotels, operator of two of Australia's leading casinos – Wrest Point (Hobart) and Launceston Country Club.

John Haddad is chunky, confident man of 52, of Lebanese lineage, whose family migrated to Australia in 1885. His father was a surveyor in comfortable circumstances, and young John was told, from early days, that he must head for one of the professions. After Christian Brothers, St Kilda, he went to Melbourne University, on a Commonwealth scholarship, to do medicine.

"I wasn't a good student. I had no affinity for blood and guts. So I dropped out after four years, and looked around to see what else I could do. The hotel industry looked as though it had some future, so I got a job as barman at the King's Hotel."

That was the start of his love affair with hotels. "It was an enormous experience. After two years I was offered the job of licencee. I grabbed the opportunity, and had the licence for five years, during which time I married."

The "godfather" in young Haddad's hotel career was Ray Markillie, who had extensive interests throughout Victoria. He took Haddad into Federal, first as Liquor Controller, then up through the ranks – sales manager, assistant general manager, manager.

"One day Ray Markillie said to me: 'John, Wrest Point is doing very badly Go over there and ask the government if they'd agree to a casino. So I knocked on Eric Reece's door – he was Premier of Tasmania – and put the proposition up to him. He was receptive, but when word got round of what was in the wind, the protests started."

The Tasmanian government had no intention of rushing into a casino without considerable deliberation. Haddad was sent off on a 12 months trip of inspection round the world. His main brief was to find casinos which had absolutely foolproof safeguards against underworld infiltration. His trip took him into an alien world. He had never gambled and still doesn't, had never been in a casino, legal or illegal.

"We were obsessed with a determination to avoid the horrendous problems which faced casinos in places like Vegas. We wanted a casino that had elegance and atmosphere, but was run with scrupulous honesty. The two casinos which showed up best were Baden Baden and Monte Carlo.

"Then we came to an arrangement with Pierre Bax. He was the greatest casino expert in the world, the everyone consulted him. He was fascinated with the challenge of formulating principles which could keep Wrest Point absolutely clean, and also satisfy the Tasmanian government."

The suggestion put up by Bax and Haddad was that the government would have the responsibility of counting the takings. This removed accountability from the casino management, and ensured that nobody could dip into the till. The system worked so perfectly, that it was adopted at other Australian casinos, and was put into operation at Atlantic City.

There are no glittery chandeliers; gold-fringed lampshades cast discreet shadows over the tables. The room has only two roulette wheels and six blackjack tables but poker and baccarat can be accommodated as required. The limits are as high as $100 minimum and $5000 maximum.

"The maximums are determined by the action," says Jim Musgrove, the casino's military-looking day manager who was one of the original 20 casino professionals imported from England to set up Wrest Point.

Has it lost business since the opening of the spate of casinos on the mainland? "We have not lost one of our regular VIP players," says Musgrove. Just who they are, of course, he is not saying. "It's a confidential list – it's professional not to disclose the numbers of VIP players or the range of play.

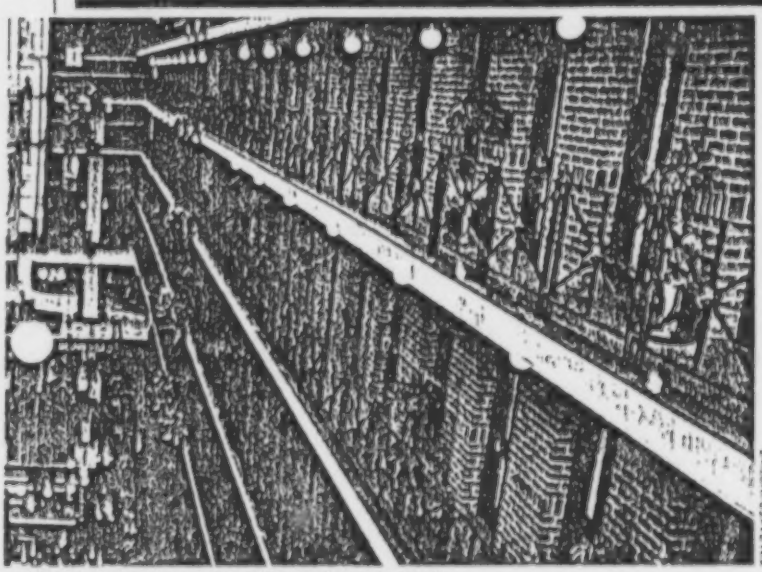
"One thing you never do is discuss wins or losses or who wins and who loses. If I found any of my staff openly discussing the wins or losses of a player, I'd dismiss him."

It is common knowledge that the biggest of the big games are played at Darwin's Diamond Beach casino where the high rollers fly in from South-East Asia.

As a casino veteran, what advice does Musgrove have for the punter? "Gamble within your means and enjoy yourself," he says.

"If you are determined to win, my best advice would have to be, 'Don't play.' I don't believe in luck because the casino in all games holds the percentage so, eventually, we win. But, to give yourself a fair chance of winning, increase when you're in front. You can't win if you play in level stakes because the percentage beats you. Increase but never chase."

Armed with this knowledge, this reporter returned to the tables, increased, never chased and watched $200 disappear in less time than it takes to drink a fluffy duck. □



KIM BAKER-MARSHALL

of hats, including that of Australia's "Father of Casinos"

The casino was the turning point in Wrest Point fortunes. The local Hobartians had the opportunity for a little flutter if they wished to; but additionally, they now had the chance to see floor shows, and eat in several new restaurants associated with the casino. The gamblers from Melbourne and Adelaide flew in for the weekend by the hundred. Cruise ship passengers packed the casino tables. Haddad's first casino became the bell-wether for others.

Federal's excursion into the Northern Territory is a sore point with John Haddad. Casino hotels were opened by Federal in Darwin and Alice Springs; Darwin prospered, but Alice Springs was a fairly slow starter. The Chief Minister, Paul Everingham, felt that the casinos were not attracting the high rollers who had been expected to come in from the East, and from various parts of Australia. The pressure went on Federal to sell – so Federal sold.

"I am not sorry to be out of the Territory," said Haddad. "As it turns out, the government appears to be the loser in the deal. It was a question partly of philosophy. I was happier to attract ten thousand tourists than ten multi-millionaire gamblers."

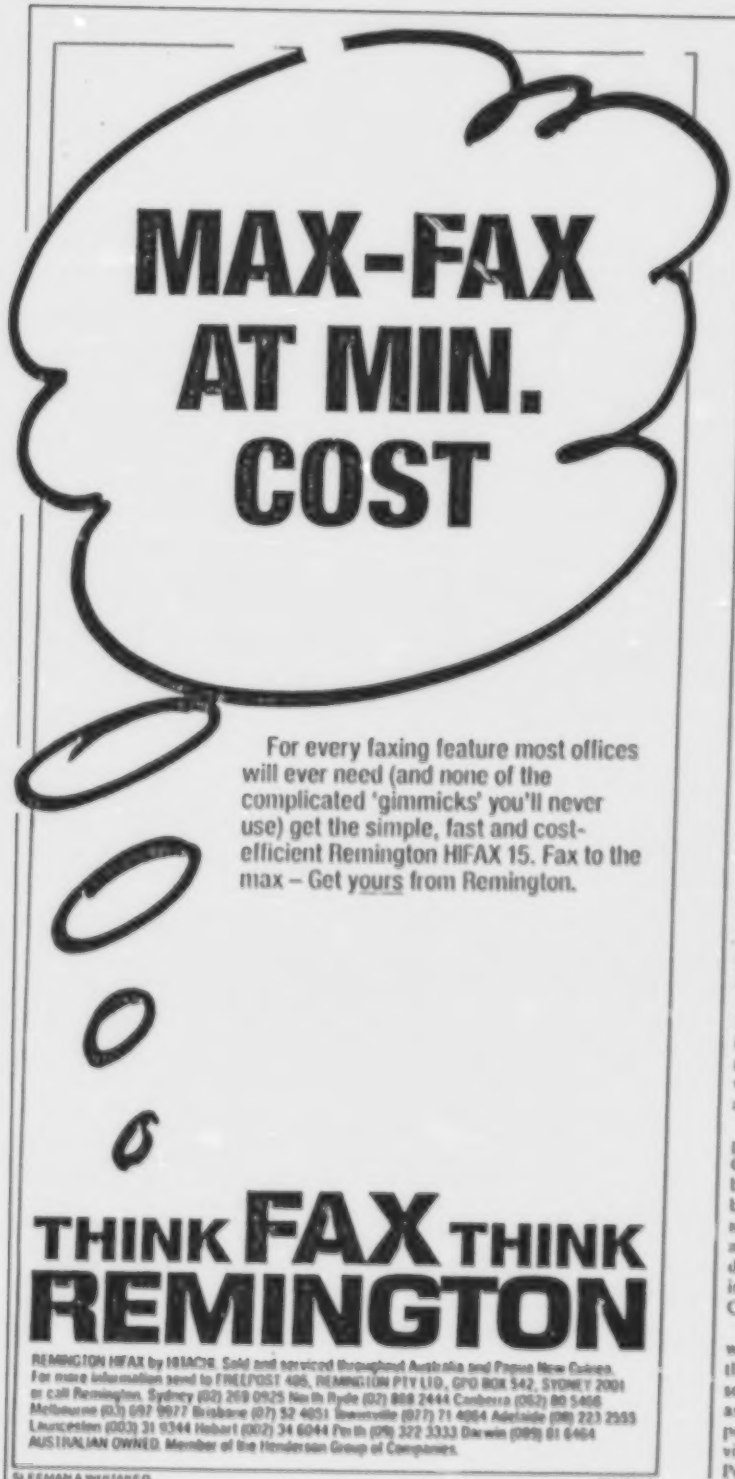
The Launceston Country Club casino has turned out to be the Federal's "sleeper". It is small, discreet and protects anonymity. Its clientele includes the biggest gamblers in Australia. There is no hassle at Launceston; you could be weekending at a comfortable house far out in the country.

The latest challenge to land in Haddad's plate is a casino at Christmas Island. Christmas Island, an Australian possession, lies in the Indian Ocean, slightly north-west of Darwin. It's commercial future has recently become uncertain, so a West Australian developer, Frank Woodmore, conceived the idea of turning the island into a luxury resort. But what would be needed to attract people to this remote little island, when the rival attractions of Penang and Bali were within reasonable reach? A casino was the answer, and architect Kevin Curtin (who designed the Darwin and Alice Springs hotel-casinos) got to work. The complex should be finished within 18 months.

Haddad is very optimistic about Christmas Island. An enormous population is draped to the north and east of the island, and not so far away either. Jakarta is only 50 minutes, Singapore an hour and a half; players from Perth are very possible. Casino competition in the East is on the wane. Casinos in the Philippines are consistently tatty; Macao has an uncertain future, and is not a particularly attractive casino anyway. Malaya's Genting establishment is reputed to be increasingly shabby and suffering from the strong anti-gambling movement among Muslems.

Another Haddad project, even further afield, but not involving a casino, is the resort hotel on the Pearl River in Guangdong Province, China. This will be managed by Federal, and is due to open in early 1989.

John Haddad is extremely proud of the fact that no breath of suspicion of racketeering or gangsterism has ever floated near a Federal casino. He feels that if there had been the slightest tittle of evidence that the wrong people had infiltrated Wrest Point, then no more casinos would have been built in Australia. "We were investigated, and re-investigated," Haddad said, "We have been examined and probed, and we have been found to be completely clean. We have been fortunate in our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employees, particularly in having the former Racing and Gaming Commissioner of Tasmania, Arthur Neilsen, on our staff.

"Casinos entail a conscious effort to gamble. They are not impulsive. In our view, they offer the best form of gambling: and if visitors don't want to gamble they can enjoy all the associated attractions – floor shows, cabarets, discos, restaurants."

Why, I asked Haddad, had he never gambled? It has no attraction for him, but even if it did, he would not play in the casinos, and neither would any of his directors. Do any members of his family feel uneasy about his pioneering of casinos? No, says Haddad, not even his two sister of Mercy aunts, Sister Pauline and the late Sister Doris.

Haddad is a passionate Australian and he believes passionately that the conduct of casinos should be in the hands of Australians and not be handed to overseas gambling organisations. Federal had its hat in the ring for the monster (300-400 table) casino planned for Darling Harbor, in Sydney, and he is "tremendously disappointed" at the rejection of his tender for the project. "It could and should be run by the only Australian company." He says the government has not indicated the reasons for its rejection although he thinks that there is a belief that Federal Hotels is not big enough to run a jumbo-size casino.

He is particularly concerned by the "assertion and innuendo" that the unsuccessful tenderers did not get a favorable police report. Our record is "impeccable" he says. "In 14 years of operation we've never had so much as a bad headline . . . the police have even held conferences at Wrest Point".

Although casinos loom very large in Haddad's life, they do not overwhelm his interest in non-casino hotels. Federal's Menzies Rialto in Melbourne has won, for two years in succession, the award for best hotel in Victoria.

Despite his affiliation with one company, Haddad brings to his Tourist Commission activities a mind that embraces all facets of tourism, and everybody's accommodation. He is an admirer of Tourism Minister John Brown, and says that it is obviously Brown's dynamic personality which has resulted in respectable budgets for the tourism Commission.

As he talks, Haddad's eyes dance with enthusiasm. His success in keeping the underworld out of his casinos he sees almost as a personal triumph; and as a small indicator of his success he points out that of all the people who visit Hobart, 61 percent go to the Wrest Point Casino. □

Odds are against casino in Cape Breton communities

Playing games of chance for money is gambling by most definitions, but the Nova Scotia government has its own rules

by Hal Dornadic

Webster's dictionary defines gambling as "playing a game of chance for money"...that's the perfect description of a bingo game you might see anywhere in the province. Men, women and children gather in smoky halls or church basements, sometimes several times a week, in the hopes of coming home with prizes ranging from a few dollars to several thousand dollars.

For some, it's a harmless pastime that means a night out or a break in the monotony of the daily routine. For others, it's an obsession. There are other examples of gambling that are so common they're rarely thought of as such. Lotteries, and even split tickets for sports and church organizations are also forms of gambling, each with its own degree of acceptance.

Yet even with all these games of chance on the go, any attempt to organize a casino-style gambling system is usually met with heavy opposition. In the last year and a half, there have been two serious attempts at establishing such a venture in Cape Breton. Both efforts have failed, despite some obvious merits. Some observers feel that there is a contradiction in this situation that begs explanation.

The idea of establishing a gambling casino in Cape Breton is not new. Its location is ideal for taking advantage of the valuable American and European tourist markets. Last year, tourists spent $150 million in Cape Breton and, in some circles, it's felt that a casino would be another "tourist draw." Also, over the past three years, there has been a sharp increase in cruise ship traffic to Sydney Harbour. These factors have added to the enthusiasm of potential casino developers.

One of those would-be developers is Jim Inch, Sr., a restaurant owner in Glace Bay. Inch says he was encouraged to look into the casino project by the federal department of regional industrial expansion (DRIE). In 1985, former DRIE Minister Sinclair Stevens, said the department would be willing to provide financial assistance for certain ventures in job-hungry Cape Breton. One of those ventures listed was "gaming facilities." However, DRIE said it wouldn't get involved until the project had the approval of both the province and the municipality of Glace Bay.

That brought Inch to the Glace Bay town council in March of 1986. He said he was promoting the idea mainly because it would employ several hundred people directly and benefit the whole island indirectly through economic spin-offs. He said all he wanted from the town was a serviced lot of land and council's endorsement of the project.

By this time though, the community was reacting to the plan. There were cries of opposition claiming that gambling would bring "organized crime" to Glace Bay. The most vocal lobby against the proposal came from church groups who held strategy meetings to formulate ways to fight the plan. They also formed committees to keep an eye on council's handling of the situation and wrote letters of protest to town council. When Jim Inch saw the amount of opposition, particularly from the religious community, he decided to let the proposal drop. Even now, more than a year later, Glace Bay town council still gets letters opposing the project.

A more recent attempt to start a gambling centre in Cape Breton sparked controversy in the town of Sydney Mines. Lawyer and businessman Nash Brogan went to town council in early February with a $5-million plan for a family entertainment centre anchored around a 40 unit motel and a 20,000-square-foot gambling casino. Brogan said he would split any profits, which he expected to top $2-million in the first year of operation, with the town.

Recalling the controversy raised by the Glace Bay proposal just a year earlier, Sydney Mines council decided the best approach to the idea would be a plebiscite to find out the wishes of the citizens. Once again, opposition was swift. Phone calls to the mayor, to individual councillors and to the town hall, along with protest letters and personal contact with town officials were so heavy that council killed the idea of even having a plebiscite, putting an end to Brogan's project.

However, municipal approval of such ventures would only be academic. The provincial government of the day, as a matter of policy, refuses to grant licences for casinos. The Brogan attempt in Sydney Mines prompted the minister responsible for the lotteries act, Greg Kerr, to say, "We know both morally and ethically, the people of Nova Scotia at this particular time in history, don't want legalized gambling in their province, and we are going to continue to turn those things down."

But the statistics conflict with that attitude. There are 450 licensed bingo games operating in Nova Scotia. Last year, sport, culture and recreation groups applied for 3,600 temporary gambling licences for fund-raising projects that raised more than $1 million in revenue.

The Atlantic Lottery Corporation, an inter-provincial agency of the four Atlantic Provinces, had sales last year of $150 million. Ticket sales in Nova Scotia generated $67 million, the highest total of the four provinces.

Bingo is a pastime or an obsession

The acting executive-director of the Nova Scotia Lottery Commission, Clyde Horner, says bingo games and ticket sales for fund-raising projects are "legal" because they are run by non-profit organizations — except for eight "commerical" bingo games that were operating before the commission existed — and, they pay two per cent of the total prize money to the province as a "licensing fee."

The Atlantic Lottery ticket sales are "legal" because the lottery corporation is a government agency.

But, whether Nova Scotians spend a dollar a month on an "A-Plus" ticket, or lose their week's pay in a poker game, according to the dictionary, it's still gambling. And it seems likely that this is a controversy that won't go away as long as the province's definition of gambling appears somewhat fuzzy to those who see a gambling casino as a positive economic addition to Cape Breton Island.

Courtesy of *ATLANTIC INSIGHT*, Nova Scotia.

APPENDIX G

PUBLIC NOTICE

B.C. GAMING COMMISSION SEEKS PUBLIC INPUT

ABOUT THE ROLE OF GAMING IN BRITISH COLUMBIA

The Commission is responsible for licensing and regulating bingo, casino, and ticket lotteries conducted by charitable and religious groups, as well as studying topics related to gaming in the province.

Interested groups and individuals wishing to express their views are encouraged to submit letters or briefs by September 1, 1987. Background material can be obtained by writing the Commission at:

B.C. GAMING COMMISSION
Chairman: Richard M. Macintosh
848 Courtney Street
Victoria, B.C. V8V 1X4

APPENDIX H

APPENDIX H

CANADIAN CARNIVAL LAW

The criminal law pertaining to gaming is contained in Part V of the *Criminal Code* (Appendix 1). Certain games, including dice, three-card monte, punch board, coin table, bookmaking and pool selling, are completely prohibited. Other games can be conducted legally but are open to charges if the operator cheats or does not follow the prescribed conduct.

Game is defined in s. 179 as "a game of chance or mixed chance and skill." The courts have supported the inclusion of carnival games within this definition. For example, *R.* v. *Touzin and Touzin* (1979) 49 C.C.C. (2nd) 183, held that a game in which patrons toss coins at glasses or other objects, winning the object on which the coin lands, is within the meaning of game in s. 179. Games of pure skill are excluded from this definition, which presents a particular problem to law enforcement. Although such games can be operated fraudulently, none of the Provisions of Part V can be applied; thus, under current gaming law, police are left without recourse to protect the public from unscrupulous practices relating to games of skill alone.

Cheating at play is always prohibited under s. 192 C.C.C. and the courts have held that this section also applies to carnival games. For example, in *McGarey* v. *The Queen* (1972) 6 C.C.C. (2nd) 525, creating a false impression in a game (in this case, by not telling patrons that the bottom jars in a milk bottle toss game were weighted) was held to constitute cheating. In *R.* v. *Reilly* (1979) 48 C.C.C. (2nd) 286 , however, the court stated that simple measures to increase the degree of skill required for success in a game are not improper.

Section 189 specifies offences relating to lotteries and games of chance. Subsections (1) (f) and (g) are of particular importance to carnivals. Essentially, they define as illegal the betting of money or other valuable property on games of chance or mixed chance and skill which award "goods, wares, or merchandise", or on wheels of fortune which dispense cash. However, subsection (3) states that these provisions "do not apply to the board of an annual fair or exhibition, or to any operator of a concession leased by that board within its own grounds and operated during the fair or exhibition on those grounds;" the fair or exhibition in question must relate to agriculture or fishing. As a result of this exemption, it is legal to operate games of either chance or a combination of chance and skill for merchandise prizes, or wheels of fortune for cash at fairs. "Wheel of fortune" was defined in *R.* v. *Andrews* at p. 379 as any "gambling device consisting of a revolving wheel." Also lawful at fairs are games of skill alone, since these are not even mentioned under the *Criminal Code*.

In addition to fitting the s. 189 games descriptions, carnival games fall within the s. 179 definition of "common gaming house:"

"Common gaming house" means a place that is

(a) kept for gain to which persons resort for the purpose of playing games, or

(b) kept or used for the purpose of playing games, or

  (i) in which a bank is kept by one or more but not all of the players,

  (ii) in which all or any portion of the bets on or proceeds from a game is paid, directly or indirectly, to the keeper of the place,

  (iii) in which, directly or indirectly, a fee is charged to or paid by the players for the privilege of playing or participating in a game or using gaming equipment, or

  (iv) in which the chances of winning are not equally favourable to all persons who play the game, including the person, if any, who conducts the game.

The courts have stated that a conviction for carnival gaming under this section will not be upheld if, on the same facts, the charge could alternatively have been laid under s. 189 (i) (f) or (g); in effect, the s. 189 exemption for carnival games at fairs or exhibitions has been widened to cover s. 185 charges as well.

It does not extend, however, if the gaming alleged under s. 185 involves the use of a slot machine. Under s. 180 (2), presence of a slot machine warrants a conclusive presumption that a common gaming house exists. The courts held in *R.* v. *Andrews* that s. 180 (2) is so specific with respect to the relationship between slot machines and common gaming houses that the s. 189 (3) exemption cannot be applied in such places. Thus, the presence of a slot machine indicates a common gaming house, regardless of whether or not it is being used at the fair. For example, "Nickel Digger" machines have been found to be slot

machines, and their operation to amount to keeping a common gaming house. However, there are indications that a mechanical device which dispenses some form of merchandise as a prize every time the game is played may not be classified as a slot machine. A 1936 Ontario case, *R.* v. *Beasley,* O.R. 299, held that digger machines which disposed of merchandise were not slot machines and could be legally operated at fairs. Moreover, the current Lotteries Branch practice of selling breakopen tickets through privately-owned vending machines is based on legal advice that a machine which dispenses merchandise each time cash is deposited is lawful, even if the value of the merchandise varies by chance.

Under s. 190, provision is made for the discretionary licensing of lottery schemes by the provincial governments, including licensing of all those games of chance described in s. 189. Section 190 (c) relates particularly to carnival gaming:

> 190. (1) Notwithstanding any of the provisions of this Part relating to gaming and betting, it is lawful
>
> (c) for the board of a fair or exhibition or an operator of a concession leased by that board, to conduct and manage a lottery scheme in a province where the Lieutenant Governor in Council of the province or such other person as may be specified by the Lieutenant Governor in Council thereof has
>
> (i) designated that fair or exhibition as a fair or exhibition where a lottery scheme may be conducted and managed, and
>
> (ii) issued a licence for the conduct and management of a lottery scheme to that board or operator.

Note that this definition of a fair, unlike the one in s. 189, makes no reference to agriculture or fishing. Consequently, s. 190 implies that the provincial government is authorized to license gaming to any exhibition or fair board, regardless of whether or not the planned event involves agriculture or fishing, and furthermore, implies that such a licence is not restricted to fairgrounds during a fair. Since games of skill are not lottery schemes under the *Criminal Code* — because they do not contain an element of chance — they are not licensable under any provincial licensing system thus created.

Unfortunately, the combined effect of the licensing provisions of s. 190 and the exemption provisions of s. 189 (3) is somewhat ambiguous. The "notwithstanding" clause at the beginning of s. 190 suggests that, where a provincial licensing scheme has been instituted, it shall supercede the rest of Part V including s. 189. If so, licences for gaming at fairs would be required despite the specific exemption from prosecution already given by s. 189. However, the wording of s. 190 is directory, rather than imperative, with respect to the conduct of a licensing scheme, stating only that "it is lawful" that one should be created, not that the province "shall" make one. Consequently, some gaming authorities in B.C. are of the opinion that a carnival operator might be able to argue successfully in court that the s. 189 exemption obviates the need for him to obtain a licence pursuant to s. 190. The courts are, as yet, silent on this point.

APPENDIX I

APPENDIX I

SOCIAL CLUBS

PREAMBLE

With the permission of the Co-ordinated Law Enforcement Unit of the Ministry of Attorney General and with due regard for the sensitivity of information contained therein and the protection of their sources, the following excerpts from their report have been brought together as a summary. Some editorial restructuring has been necessary in the interests of brevity as well as aforementioned security. We must point out again that this is a new addition to the mandate of the Commission, one with which we are not yet fully familiar.

BACKGROUND

Formal licensing of social clubs permitting gambling was adopted in British Columbia in January 1975. Although this was four years after the permissive section of the *Criminal Code* of Canada was enacted, British Columbia was the only province to initiate licensing and still is. In 1972, terms of licensing were drafted by the Criminal Law Section of the Ministry. These were circulated to police departments and even to some unlicensed gambling clubs for comment. Eighteen of these clubs agreed to the terms, which included a licensing fee of $100 (currently $200), and submitted their money expecting to be licensed. No approval of the terms or licensing was forthcoming for two years. At the time of licensing there were approximately 40 active gambling clubs in British Columbia, all operating illegally.

When licensing was approved in 1975, the Director of Lotteries recommended that it be handled from his office so that licensing and control of all lotteries, bingos and social clubs would be concentrated in one location. This is subject of a memo dated May 13, 1980 to the Director of B.C. Lotteries from the Chief Licensing Officer. It is also indicated that the licensing officer in 1975 was given the authority to issue the licences. By 1980 there were 43 applications. The anticipated proliferation of these clubs did not occur and there were only 42 applications for 1987.

During the period from 1975 to 1985, efforts were made to bring social clubs in line with the intent of the *Criminal Code* and to "clean up" the terms of licence. The major problems which surfaced annually were whether or not a club was bona fide and whether there was a proven proprietorship. Questions of definition were asked of the Criminal Justice Branch, and, while these questions were well answered, the problem of effectively policing the terms continued to plague those responsible. These same problems exist today and will be discussed later in this appendix.

LICENSING STATUS FOR 1987

In October of 1986 a new application form was drafted and forwarded to 44 social clubs. A copy of this application is included at the end of this appendix. Forty-two clubs returned the application for processing. A covering letter forwarded with the form requested a return by November 27th of 1986 to allow for processing prior to January 1, 1987. Many clubs did not make that deadline for various reasons. The form had information requirements which were very demanding. These requirements included a financial statement, annual report and certificate of good standing. In the past, clubs would file late and even though the licence had expired, they would continue to operate. To offset this laissez-faire attitude, each club was warned with each piece of correspondence that they could not operate without a licence and, if they did, they were liable to be prosecuted.

It was also decided that an interim licence, valid for three months, would be issued in order to allow proper investigation of the applicant and to serve notice that a serious look was being taken at the entire social club situation.

Of the 42 clubs applying for licensing for 1987, 41 were inspected, while one was refused a city permit and had no alternate location. By March 31st of 1987, when the interim licences had expired, the breakdown was as follows:

Full licence for 1987	33
Further interim licence	3
Not recommended for licence	5

FULL LICENCE FOR 1987

The 33 social clubs that were granted a full licence were thoroughly investigated and inspected. Five of these have to meet conditions which require them to upgrade their premises by a certain date. This involves upgrading dirty bathroom areas, replacing or repairing torn rugs, and painting. All have agreed to the upgrading and notations giving details have been placed in their files. The Commission is of the opinion that 31 of the 33 clubs that received full licenses are proprietorships, based on investigation and intelligence received. However, this can not be proven.

PROPRIETORSHIP

As mentioned in the background of this report, one of the major problems with social clubs is the question of proprietorship. Police intelligence tells us that most "charters" or licences are bought and sold continually, with the transaction shown as "start-up" fees, that is, the money put up for tables and equipment as well as lease improvements. Some start-up fees are shown in the financial statement as loans, either with or without a chattel mortgage. Most loans, however, do not appear in writing.

Of the 42 clubs processed initially, 12 had start-up fees owing to a member. Of those, the average amount of the investment was $10,000 with the highest being $72,000. An examination of the positions held within the society by those people revealed that 11 of the 12 presently hold executive or management slots. It is fair to say that when a person takes over the start-up fees or debt owing by the club, he controls and manages it. In most of these cases there was no structured pay-back to satisfy the debt. In this way a person continues to have an interest or "share" in the club and sells it when he moves on. Where possible, we have insisted on a chattel mortgage and satisfying the debt so that it is cleared. These people using their money to start a club or to buy into a club invariably draw a wage as a manager. It is interesting to note that when asked why the debt was not being satisfied, eight replied that there was not enough money after wages.

Another area of examination is the use of holding companies which are formed by one or more of the principals or managers of a social club. These companies charge the club for handling the lease agreement, administrative fees and management arrangements. This is not only seen as a means to syphon off money, but it also gives a small body of people control over the society. Three social clubs having this structure were advised that these arrangements were not acceptable, and were changed accordingly.

In correspondence with Legal Services Branch and in researching case law, the test of proprietorship seems to be found in *R.* v. *Tatti*, (1965) 4 CCC 268:

> Were the assets owned and controlled and was the conduct of the club controlled by all members equally; how are the proceeds of the games used; is there a personal gain for any one member or any group of members; what were the club's bylaws regulating use of the club by non-members or visitors.

It would seem that, if a club was a bona fide social club, the start-up fees and other debts should be shared equally by the members.

GAMES PEOPLE PLAY

Traditionally the Chinese social clubs play Mah Jong, Um Gow, Pie Gow and some play a Chinese game of Fish. Most clubs do not charge time fees for Mah Jong, some charge half of the $2.00/hour time fee allowed. If a game requires a dealer due to its nature then all other players refuse the deal. Without a doubt,

all police intelligence indicates that the large Chinese clubs are hiring a dealer and are taking five per cent off the winning pot. This is prohibited in the Terms of Licence.

Oriental clubs have had problems over the years trying to conform to rules applied to poker clubs. To apply the same method of time fees to a game of Mah Jong or Pie Gow as you would to poker does not seem fair to them as the length of play is so short. Not only can you play seven Chinese games during the same period as one seven card stud poker hand but it is also unusual for a Chinese game to go beyond two hours whereas a poker game can go all night.

Occidental clubs or poker clubs play their own brand of poker. Most clubs like to play Texas Hold'em and Seven Card Stud or Seven Toed Pete, allowing for lots of betting. Other games of poker are:

Draw
Omaha
Hi-Lo Split
Lo Ball
Sousem
Pan

Pan, which requires eight decks of cards, is sometimes played with a dealer.

The split pot started the jackpot problem. If a pot were split between two players and an odd chip was left over, it was placed into a recepticle. When this had accumulated, it would be won by a pre-determined hand, such as the high losing hand of the night. Not only did this solve splitting the pot evenly but, in large clubs, it kept the players there until the draw. One particular club then went one better. It took one chip from each winning pot and put it into a jackpot. Some jackpots, won as noted before by a pre-determined hand at the end of the night or the end of a week, built up to over $1,500. Word soon went out and players from other clubs moved over until the other clubs devised competitive jackpot schemes. While this was supposed to be voluntary, no one could refuse. The management of the clubs stated that they were only handling the chips from the pot to the bin for the player and only locking the jackpot bin up in the office for the players' protection. There was no possible way for a member to know what part of a jackpot went to a "winner". When the clubs were advised that this was not acceptable, one manager for some reason, offered to put up $500 from his pocket for a jackpot. When asked why he would do that, he could not reply. The only logical reason was to draw customers from other clubs. A letter was sent to all clubs indicating that jackpot play was not permitted. The intent of the terms of licence was cited as a bar to clubs putting up money.

No sooner had this been settled than multiple "buy-ins" were introduced to tournaments. If you entered a poker tournament and paid a buy-in fee which went to the winners but were subsequently knocked out, the club would let you buy back in and they would hold the money. If you went out again, you only had to pay a buy-in fee to play again. Once more there was no accounting for the money the house received. This manner of play was also found unacceptable. Decisions which were made were in concert with the Vancouver Police Department and RCMP Gaming Specialist.

These are two examples of manipulation which occur in the social club community. They exemplify the attitude and competition of this community.

Also played in the social clubs are rummy, usually one-half of the time fee, checkers, crib and bridge, no time fee is charged. Some have attempted to start up blackjack. As this requires a dealer it is not permitted and does not seem to be played.

ADVERTISING

The question of advertising is a grey area which affects the bona fides of a social club and is the subject of abuse. Common forms of advertising are signs, newspaper ads and business cards. At least six social clubs advertise in one form or another and 19 clubs were found claiming advertising costs as a club expense in their financial statement. A club in Victoria runs advertisements telling the general public to come and learn how to play poker. It always includes the word "member". A Vancouver club has articles, along with pictures, prominently displayed in trade magazines. Many of the social clubs have business cards which circulate throughout the gambling community.

The question "may we advertise?" is asked often and is difficult to answer. A large number of clubs asked for light advertising and while there is no prohibition to it, they were discouraged. Those who are

advertising were not told to stop as they insist that they are merely trying to increase membership, not go after customers.

The Legal Services Branch, Ministry of Attorney General, provided information on the question of advertising by social clubs. They indicated that they were unaware of any restrictions on advertising carried out by social clubs. As an example they did not think it would be objectionable if, for instance, an ethnic Greek social club were to circulate a discreet flyer within a part of the community, where it was known that there were many recent immigrants from Greece, in order to make them acquainted with the facilities available for recreation and socializing with their fellow countrymen. On the other hand, if a social club explicitly advertises its gambling facilities with the intention of attracting the general public and not simply members or prospective members, that may be evidence that goes to question its bona fides.

Most of the societies who advertise are aware of the distinction drawn between going after customers as part of an enterprise and soliciting membership. The results of the action are the same and to stop a club from advertising when it has the right is difficult.

MEMBERSHIP

All clubs inspected had membership lists in one form or another. Application forms required the submission of a list. Most social clubs have a register at the door which a person fills out to become a member. Society bylaws are standard in their membership requirements in that a director or officer of the club must approve an application for membership. This is not practiced as the "signing in" is usually sufficient to obtain membership. When questioned on this point, directors, who are usually floor managers as well, state that they review the book each night.

Membership fees range from "no charge" to $50 per month. Most clubs charge $2 to $10 per year. The majority of clubs have membership cards which are produced on request.

The most common query concerning membership is the lack of provision for guests. The Terms of Licence prohibit anyone being on the premises unless he is a director, officer, employee or member of the licensee, or a peace officer or person designated by the Attorney General or his Deputy.

A legal opinion which was sought and received indicates: "There is nothing in the *Society Act* which regulates whether a club is allowed to admit guests. If the club is a bona fide social club, it would seem consistent with the purposes and objectives of the club (omitting for the moment that gambling may be carried on) that members be allowed to have guests admitted to the social facilities maintained by the club" The problem of guests is mostly identified with out-of-town relatives or friends.

As outlined in the previous paragraphs there have been many ways used to increase membership from jackpots to advertising, all of which has created competition.

POLICE INVOLVEMENT

Of the 42 social clubs examined, 23 are situated in the Lower Mainland, 14 of these in Vancouver. The breakdown of jurisdictions is:

Vancouver Police Dept.	14
Victoria Police Dept.	4
Port Moody Police Dept.	1
New Westminster Police Dept.	1
RCMP Lower Mainland	9
RCMP Vancouver Island	4
RCMP other areas	9

Vancouver Police Department actively police the clubs with their Vice Intelligence Unit. A team of two officers visit the clubs routinely each day. Social clubs in RCMP jurisdictions are generally monitored by a General Investigation Section (G.I.S.) if there is one in the area and by the Gaming Specialist who covers the province and Yukon Territories. Other police departments have their detective units respond.

The recent inspection and formal interview not only made the societies cognizant of a change of attitude by the province but also the police jurisdictions. In previous years the issuing of a licence has not created much interest in the police community unless there was a specific complaint. Now, as a result of

liaison and complete cooperation everyone concerned wishes to and does have input. The concept of a government inspector, who not only is knowledgeable but is known and respected, was well received by both police and gamblers.

CHINESE CLUBS

Seven Oriental social clubs applied for licensing in 1987. These present different enforcement problems from the Caucasian clubs. Mention has already been made of the games which are peculiar to the Chinese, some requiring a dealer and most subject to the collection of five per cent of the pots. The culture involved — combined with such factors as work patterns where many members work in the food industry until four or five o'clock in the morning and then wish to gamble — must be considered. While some clubs are neat and well-appointed, others, because of the location in Vancouver or Victoria Chinatown, are rundown and dingy. Difficulty was experienced when inspecting these clubs because of this cultural and language barrier.

MUNICIPAL BYLAWS

Two areas of concern in the operation of a social club are a municipal licence to operate within a city or town and a closing time bylaw. Most municipalities require a licence before an address can be confirmed for the club. Only one hearing was held as a result of a licence application. That was in the City of Vancouver when an effort was made to set up a club in the 300 block East Broadway. Local residents, church and school officials attended a hearing at City Hall along with the police and the licence was denied. As the club did not have a location from which to operate, no social club licence was issued.

A contentious issue continues to be the hours of operation. The City of Vancouver is the only jurisdiction which has a bylaw requiring social clubs to close by a specified time, in this case 2:00 A.M. Clubs outside of Vancouver can and do stay open all night. This causes two reactions. Societies locate their premises outside Vancouver to escape the bylaw. It also causes club hopping where players will belong to a Vancouver organization and another or several others outside the city. They then leave one club when it closes and go to another.

Many of the Vancouver clubs are asking for a uniform closing time. While this may be desirable for the reasons shown, it also presents the problem of arriving at a suitable and fair hour. As was mentioned, when discussing the Oriental clubs, many card players work late into the night and can only play after 2:00 or 3:00 A.M. Others, such as loggers or miners come into a city like Nanaimo or Port Alberni from a lengthy stay at a work site. To curtail the operation of their social club could defeat the intent of its licence. If a uniform closing time were adopted, these factors would have to be considered.

LIQUOR

It is understood in all social clubs which fall under the gaming licensing that no liquor is allowed. Rarely is this a problem for, like card cheats, no club wants it. However, there are instances of someone having a bottle of his own in the club or of single shot bottles being poured into coffee cups. It is felt that these cases are isolated.

Section 38 (1) (a) of the *Liquor Control and Licensing Act* prohibits gambling in a licensed establishment with certain exceptions. There is nothing, however, to prohibit liquor being present or consumed in a private social club. The terms of licence do not broach the subject and there appears to be nothing to prevent a member having his own liquor or being given liquor on the premises.

BONA FIDES

Most of the case law dealing with the bona fides of social clubs addresses the issues of control by a group over the club for purpose of gain. This is true of licenced social clubs in British Columbia. Compliance to form and observance of the Act and bylaws may place a club in good standing but is not conclusive of its bona fides. Social clubs have been made to comply with the requirements of the *Society Act;* however, they are still a proprietorship for gain.

Concealed ownership, financial interest or holding of shares is most often expressed in loans to a society by a founding group or individual for "start-up fees," an expression for money ostensibly used to help a club purchase equipment and pay leases. Some of these transactions were found in financial statements as chattel mortgages, others are never recorded.

Social club gambling is a money-making enterprise for the majority of the clubs. Shares are bought and sold, charters purchased and money skimmed. Knowledge of the law and retention of lawyers to ensure they conform to the legislative requirements leaves a licensing body with the task of proving a "state of mind" or of continually trying to out-maneuver the licensees.

The existance of social clubs cannot and should not be eliminated. The *Criminal Code* provides for them and if they are not following the intent of the legislation the remedy should be found at law.

COMPETITION

Competition for patrons is the norm in the gambling community. Delays in issuing licences caused concern that customers were being lost rather than a service was not available to members. Advertising is practiced to bring in customers but is couched in words which suggest a search for members. Should a society be formed because of a need expressed by a group or should a society be formed and a group then sought to participate? It seems that advertising is indicative of enterprise.

POLICE AND COMMUNITY

The presence of social clubs has not had a significant impact on the community. Very few complaints have been processed by police. Chinatown has had problems with the clubs and Asian youth gangs; however, these problems are not restricted to social clubs.

Troublemakers are few and do not present any major problems. They are well known to both the gambling clubs and to the police and, where necessary, the clubs have banned them from playing.

APPLICATION FOR SOCIAL CLUB GAMING LICENCE PURSUANT TO SECTION 179(2) OF THE CRIMINAL CODE OF CANADA

INSTRUCTIONS

1. The individual (the Signing Officer) completing this application form on behalf of the Social Club which is applying for a gaming licence must be duly authorized to act on behalf of the Social Club.

2. The Signing Officer must read the attached Policy Guidelines before completing the application form.

3. The Signing Officer must read each item of the application form and answer each item which requires a response. If the answer to a particular item is "none" or "not applicable" it must be marked accordingly. The Signing Officer must initial each item to show that he has read and understood it and answered it accurately and completely. The initials are to be placed in the space provided in the left hand margin opposite each item.

4. If there is not sufficient space on the form to answer any item then use a separate sheet of paper for each such item with the item number in the top left corner of the page.

INFORMATION ABOUT THE SOCIAL CLUB

1. _____
(Registered Name of Applicant Social Club)

of _____
Suite No. Street No. Street City Province Phone No.

hereby applies to the Attorney General of British Columbia, or his designate, for a licence pursuant to Section 179(2) of the Criminal Code of Canada, to charge a fee to the members of this Club for the right or privilege of participating in the games of chance to be played on the abovementioned Social Club premises in accordance with the terms of the licence.

2. Has the Club had any previous names? (Yes or No) If yes give details.

_____

___ 3. Number and date of incorporation of the Club:

Incorporation Number _____ Incorporation Date (Day, Month, Year) _____

___ 4. Attached are copies of the constitution of the Club and of a certificate of good standing issued by the Registrar of Companies for British Columbia.

___ 5. The Club hereby declares that it is a non-profit organization.

___ 6. Attached is a copy of the latest annual report of the Club including a copy of the financial statement of the Club which was submitted at the latest annual general meeting of the Club and a copy of the auditors report which was submitted at the latest annual general meeting of the Club.

___ 7. The following parties are indebted to the Club in the following amounts:

Company Name or Surname	Given Names	Address	Phone No. (Home/Work)	Principal & Interest	Date Due	Reason for Loan

___ 8. Give a brief description of the land and premises at which the Club operates and at which the proposed gaming operation would take place.

_____

_____

_____

_____

_____

_____

9. Is the Club the owner of the land and premises at which it operates? (Yes or No) _____
If no then complete the following and attach to this application a copy of the lease for the premises.

Owner(s) of Land and Premises	Owner's Address	Owner's Phone No. (Home/Work)	Amount of Rent Paid	Rent Paid by: (Name & Address)

10. The Club has been in continuous operation since _____
Day Month Year

at the following premises:

_____
Suite No. Street No. Street City Province Postal Code

_____

_____

11. Has the Club been involved previously in gaming operations? (Yes or No) If yes give details.

_____

_____

_____

_____

_____

12. The following privileges and facilities other than gambling privileges and facilities, are extended to members of this Club:

_____

_____

_____

_____

_____

13. The Club intends to charge the following fee for the right or privilege of participating in games of chance: (not exceeding $1.00 for each half hour)

_____

_____

14. The hours of operation of the proposed gaming operation will be as follows:

_____

_____

15. The fee for membership for each and every member in the Club is $_____ per _____ (specify whether annually, monthly, etc.)

16. The income of the Club, after payment of operating expenses, will be disposed of as follows:

_____

_____

_____

17. The Club has been convicted of the following offences involving dishonesty within 5 years preceding the date of this application. Such convictions include, but are not limited to, offences in the following areas: fraud, extortion, theft, blackmail, gaming, betting, gambling, lotteries, currency offences, bookmaking, bribery, counterfeiting, defrauding creditors, loansharking and false pretences.

Offence	Date of Conviction	Penalty

18. The Club has been convicted of the following breaches of regulatory laws and regulations including but not limited to breaches of the Societies Act, the Liquor Control and Licensing Act, the Securities Act and any municipal by-laws within 5 years preceding the date of this application:

Offence	Date of Conviction	Penalty

INFORMATION ABOUT INDIVIDUALS AND COMPANIES INVOLVED WITH THE SOCIAL CLUB

19. The Club directors, officers, employees and financial supporters are as follows:

(a) **DIRECTORS:**

Surname	Given Names	Date of Birth	Address	Phone No. (Home/Work)	Date of Appointment as Director

(b) **OFFICERS:**

Surname	Given Names	Date of Birth	Address	Phone No. (Home/Work)	Office Held	Date of Appointment as Officer

(c) **EMPLOYEES:** (this category includes all people performing services for the Club whether or not for remuneration)

Surname	Given Names	Date of Birth	Address	Phone No. (Home/Work)	Date Employed	Monthly Salary & Position

(d) **FINANCIAL SUPPORTERS:** (this category includes all current creditors of the Club and all donors to the Club within the 5 preceding years)

Company Name or Surname	Given Names	Address	Phone No (Home/Work)	Type and Amount of Financial Support

___ 20. Attached is a complete list of all members of the Club with the address, telephone number, date of admission to membership of each member and indication of whether or not each member is a voting member or a non-voting member.

___ 21. The Club hereby declares that the directors and officers of the Club serve without remuneration.

___ 22. The following directors, officers, members, employees, debtors or financial supporters of this Club are directors, officers, members, employees or debtors of another social club which operates a gaming house:

Surname	Given Names	Position with this Club	Name of other Club	Position with other Club

23. The following members of this Club are also employees of the Club:

Surname	Given Names	Date of Birth	Position with Club	Date Employed

24. The following directors, officers and employees of the Club have been convicted of an offence involving dishonesty within five years preceding the date of this application. Such convictions include but are not limited to offences in the following areas: fraud, extortion, theft, robbery, blackmail, gaming, betting, gambling, lotteries, currency offences, bookmaking, bribery, counterfeiting, defrauding creditors, loansharking, false pretences, uttering, breaking and entering and counselling.

Surname	Given Names	Date of Birth	Offence and Date of Conviction	Penalty

25. The following directors, officers and employees of the Club have been convicted of the following breaches of regulatory laws and regulations including but not limited to breaches of the Societies Act, the Liquor Control and Licensing Act, the Securities Act and any municipal by-laws within 5 years preceding the date of this application:

Surname	Given Names	Date of Birth	Offence and Date of Conviction	Penalty

26. To the best knowledge, information and belief of the individual completing this application form no member, financial supporter or debtor of the Club has been convicted of an offence involving dishonesty or of a regulatory offence, within 5 years preceding the date of this application except as listed below:

Surname	Given Names	Offence and Date of Conviction	Penalty

GENERAL STIPULATIONS

27. The Club is fully aware of the Attorney General's policy guidelines in respect of the issuance, suspension and revocation of licences under section 179(2) of the Criminal Code of Canada and if issued such a licence, will comply faithfully with all terms applicable to it, and hereby expressly consents, during the term of the licence or any renewal of it:

    (a) to routine and random inspections of the premises of the Club and audit of the records of the Club, by any person designated by the Attorney General or his Deputy without a search warrant, during the hours of operation of the Club for the purpose of ensuring compliance with the Attorney General's policy guidelines respecting the charging of fees; and

    (b) to the removal for a reasonable time of the records of the Club by any such designated person for the purpose of making copies thereof if such designated person has reason to believe that the records are incomplete or inaccurate.

28. The Club will inform the Attorney General in writing immediately upon the occurrence of any changes with respect to any of the information in this Application Form which occur during the term of any license which is issued to the Club including, but not limited to, full particulars of any changes with respect to directors, officers, employees, members, financial supporters, volunteers, premises, location and name.

29. All of the information contained in this application is true and complete and no information which is required to be disclosed has been omitted. The undersigned is duly authorized by the Club to sign this application on its behalf.

DATED AT _____ B.C. this _____ day of

_____, 19__.

_____

SIGNATURE OF SIGNING OFFICER ON BEHALF OF THE CLUB

NAME OF SIGNING OFFICER:
OFFICE HELD:

IMPORTANT:

THE PROVIDING OF FALSE, INCOMPLETE OR MISLEADING INFORMATION OR THE OMISSION OF INFORMATION IN THIS APPLICATION OR IN THE DOCUMENTS SUBMITTED WITH THIS APPLICATION, OR THE FAILURE TO NOTIFY THE ATTORNEY GENERAL OF ANY CHANGES TO THIS INFORMATION WHICH OCCUR DURING THE TERM OF THE LICENCE MAY RESULT IN REFUSAL OF LICENCE OR IN SUSPENSION OR REVOCATION OF ANY LICENCE ISSUED.

APPENDIX J

APPENDIX J
ADVERTISING GUIDELINES

The following guidelines were issued by the Public Gaming Branch on October 5, 1987:

(1) Advertising will be limited to the date, time, licensee, licence number, location and description of the location;

(2) There will be no advertising of a guaranteed prize, e.g.;

  (a) guaranteed prize dependent on attendance,

  (b) prize related to another lottery event;

(3) There will be no offer of a prize that is not part of the prize structure for that specific bingo event, e.g.;

  (a) prize awarded by third party,

  (b) communal prize awards,

  (c) free admittance to a cash or merchandise draw;

These guidelines have been in effect for casino events and have met with the approval of casino management companies. It is noted that many bingo licensees are operating within these guidelines and their assistance is acknowledged.

FEE STRUCTURE

APPLICATION FEE

(1) $50.00 application fee for all types of licence (non-refundable) not to be deducted from any other fees.

(2) $25.00 fee for each amendment to any licence.

LICENCE FEE

(3) Bingo 2% of gross revenue to cover the cost of increased inspections; fees due with each quarterly report.

(4) Casino no change from current 10% of gross revenue.

(5) Ticket 2% of gross revenue to cover the cost of increased inspections for "A" licence.

(6) Fairs fees to be the same as each individual activity licenced based on a per cent of gross receipts:

2% — cash bingo;
10% — casino games;
2% — ticket.

Concessionaires:
$150.00 — basic fee (including one game);
$ 50.00 — each additional game;
$ 25.00 — per person listed for investigation and clearance.

(7) Social Clubs:

$400.00 — inspection fee;
10% — of time charges (remitted quarterly).

(8) "B" Licences:

$10.00.

(9) Bingo Hall Operators and Casino Management Companies:

$500.00 — investigation fee for each location;
$200.00 — investigation fee for each additional location;
$ 25.00 — investigation fee for each Director/Officer/Employee.

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